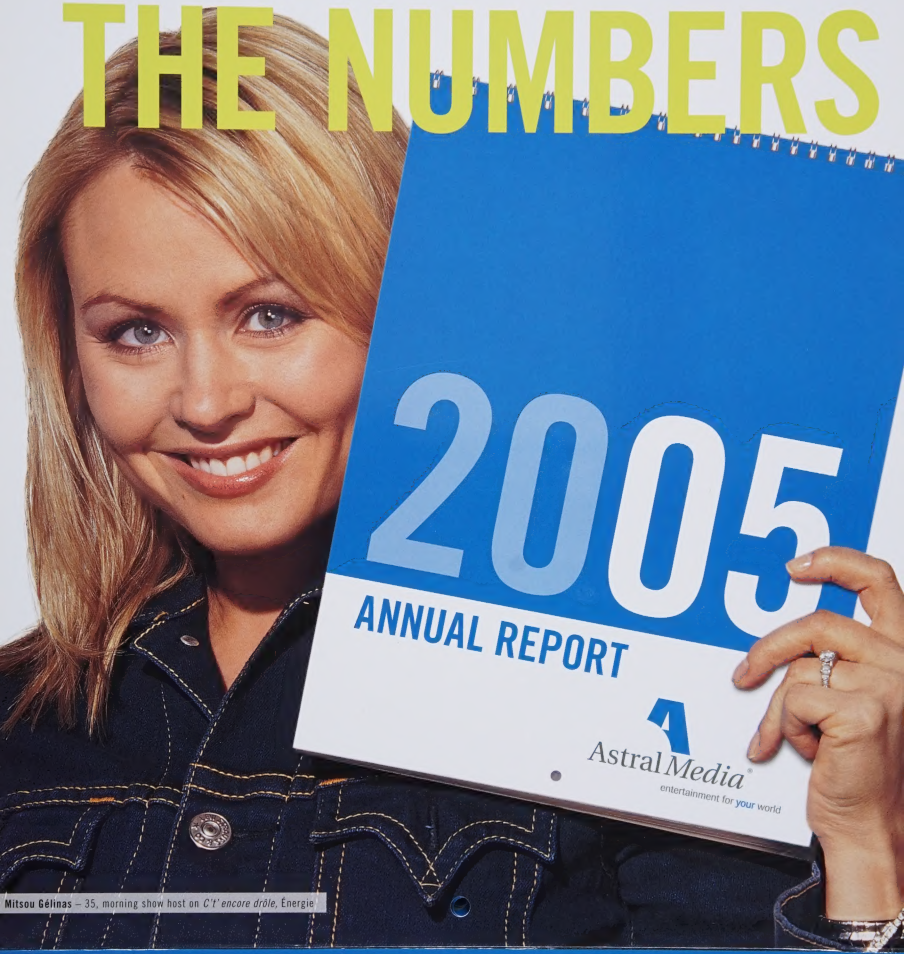
BEHIND THE NUMBERS



Mitsou Gélinas – 35, morning show host on *C't' encore drôle*, Énergie

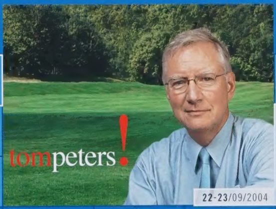
12 MONTHS OF BRINGING ENTERTAINMENT TO YOUR WORLD

TABLE OF CONTENTS

Three hundred and sixty-five days a year, people tune in to Astral Media, because Astral Media is in tune with how they want to be entertained. From blockbuster movies to groundbreaking TV series, from eye-catching billboards to your favourite radio stations, Astral Media is always moving, grooving and improving to keep up with Canadians. Every minute of every day. Every day of every year. And of course, from one year to the next.

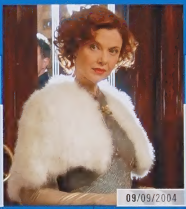
SEPTEMBER

03/09/2004
MusiquePlus celebrates its 18th anniversary



22-23/09/2004

For the first time, **Astral Media** hosts 300 members of the advertising community at conference featuring marketing guru **Tom Peters**



09/09/2004

Astral Media sponsors the opening night of the **Toronto International Film Festival** featuring the Canadian premiere of ***Being Julia***

OCTOBER

26/10/2004
Astral Media announces **year-end results**

NOVEMBER

23/11/2004

Astral Media Outdoor launches new **MegaColumns** in Montréal and Toronto marketing communities

15-21/11/2004
Family launches second annual **Bullying Awareness** Week

27/11/2004

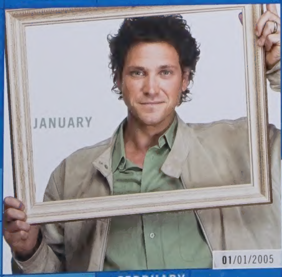
Super Écran premieres ***Kill Bill 2***

DECEMBER

08/12/2004
Astral Media hosts its **Annual General Meeting** of **Shareholders**

09/12/2004
Astral Media participates in **Media's Big Food Drive**

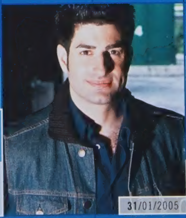
JANUARY



01/01/2005

13/01/2005
Astral Media announces first quarter results-**Q1**

Canal D celebrates **10 years** of documentary



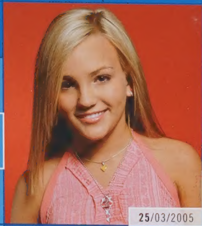
31/01/2005

Ztélé, Historia and **Séries+** celebrate **fifth** anniversary

FEBRUARY

MARCH

01-02/03/2005
MusiquePlus hosts annual **Open House**



25/03/2005

Family premieres ***Ned's Classified School Guide* 01**/04/05 and ***Zoey 101***

05/03/2005

Séries+ premieres ***Les Ex***

07/03/2005
The Movie Network premieres ***Fat Actress***

APRIL

13/04/2005
Astral Media announces second quarter results-**Q2**

05/04/2005

05/04/2005
Ian Greenberg speaks to the **Council of Media Directors' Convention** in Toronto

Énergie celebrates **SpringFest** in Montréal

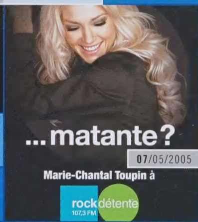
07/04/2005
The Movie Network premieres the original Canadian production ***G-Spot***

MAY

01/05/2005

The Movie Network launches TMN – HD a 24-hr **High-Definition** channel

12/05/2005
Astral Media is a founding sponsor of the **TéléDiversité** conference in Montréal



07/05/2005

RockDétente "**matante**" ad campaign launches

18/05/2005
Astral Media Outdoor enhances its airport advertising offering by acquiring **Passeport Média**

29/05/2005
Astral Media Radio obtains **five new FM radio stations** in Québec following close of transaction with Corus Entertainment

JUNE

16/06/2005
Astral Media TVPlus hosts its annual **Trade Show**

JULY

26/07/2005

Astral Media Outdoor launches **street** and **MegaColumns** in Toronto

13/07/2005
Astral Media announces third quarter results-**Q3**

06/07/2005
Astral Media announces its partnership with the non-profit organization **Dr Clown**

AUGUST

21/08/2005

Six Feet Under (Season 5) and **series finale** on **The Movie Network**

28/08/2005

The Movie Network premieres HBO's new mega-series, ***Rome***

			01	02	03	04
					10	11
12	13	14	15	16	17	18
		21			24	25
30						

354,000[1] CANAL VIE VIEWERS FIND AN EASIER WAY TO SNOOP ON THEIR NEIGHBOURS' RENOVATIONS.

[1] BBM, PPM Meters, Québec Franco, September 2004 to August 2005, Average Minute Audience, All Persons 2+ for *Décore ta vie.*

					01	02
03	04	05	06	07	08	09
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

With original home improvement shows like *Décore ta vie* and *Déco sur mesure*, Astral Media gives audiences a peak into the lives – and homes – of people just like them. As a matter of fact, we offer plenty of local flavour on all our specialty TV channels, including Family, Canal D, Canal Vie, VRAK.TV, Ztélé, Historia, Séries+, MusiquePlus, MusiMax and TELETOON. So no matter what the topic, our programming really hits home with all markets.

01 02 03 04 05 06 12 13 20 27 04 10 11 17 18 23 24 25 26 27 28 29 30 31

ROCKDÉTENTE'S 1.4 MILLION WEEKLY AUDIENCE[1] INCLUDES COUNTLESS LISTENERS WHO RELY ON OUR GREAT MUSICAL VARIETY TO STAY ON THEIR TOES — AND ON THEIR FEET — ALL DAY LONG.

[1] BBM S1-2005 (Winter), Total reach, Monday-Sunday 5:00 a.m. – 1:00 a.m., 12+.

At Astral Media, we take some of the stress and strain out of the workplace with a range of radio stations that provide listeners with the music, laughs and company they need to make their day a little more pleasant. We also tag along in the car, at home, at the beach, or wherever sensational sounds can help make the moment memorable.

SINCE 2000, OVER 700[1] INDEPENDENT CANADIAN FILMMAKERS HAVE BENEFITED FROM ASTRAL MEDIA SUPPORT DURING THEIR CAREERS – EVEN INTERNATIONALLY ACCLAIMED AWARD-WINNERS.

[1] Based on the number of directors, producers, and screenwriters who have received support since Fiscal 2000 from The Harold Greenberg Fund/Le Fonds Harold Greenberg, The Movie Network and Super Écran.

Each year, Astral Media invests millions in the creation and production of Canadian movies. In January 2005, The Movie Network aired *The Statement*, directed by Norman Jewison – just one of many talented Canadian filmmakers that Astral Media is proud to support through investments from our pay-TV networks, as well as from The Harold Greenberg Fund/Le Fonds Harold Greenberg. As the country's largest private investor in Canadian content, nurturing home-grown talent is just part of our business.

OVER 300,000[1] VIEWERS TUNED IN TO THE PREMIERE OF SPIDER-MAN 2 ON THE MOVIE NETWORK AND SUPER ÉCRAN. MOST MEN WERE DRAWN TO THE ACTION SCENES; FOR MOST WOMEN, IT WAS TOBEY IN TIGHTS.

[1] Nielsen Media Research, Average Minute Audience, 2+, June 2005.

Astral Media brings all kinds of blockbusters to all kinds of audiences. So whatever you're into, you can always turn to The Movie Network and Super Écran to watch the hottest shows and films – with the hottest stars – 24 hours a day, whenever the mood strikes you.

ASTRAL MEDIA SHAREHOLDERS HAVE SEEN A 374% GROWTH IN THE VALUE OF THEIR SHARES SINCE 1996.[1]

[1] Astral Media stock price performance taking into account the two-for-one stock split in April 2002.

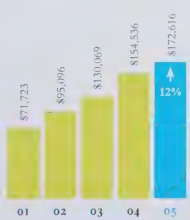
Every day, Astral Media employees work hard to deliver the kind of results that shareholders have come to expect. And the numbers are there to back it up. Proof positive that behind the scenes, behind the hot shows, cool sounds and eye-popping billboards, we've got a team of dedicated pros giving their all for the benefit of our audiences, our advertisers, our communities, our local artists and our shareholders.

FINANCIAL HIGHLIGHTS

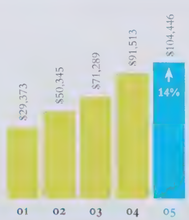
RESTATED [1] (in thousands of $)	2005	2004 [1]	2003 [1]	2002 [1]	2001 [1]
Revenues	**549,610**	518,737	475,707	386,583	331,371
EBITDA [3]	**172,616**	154,536	130,069	95,096	71,723
Earnings from continuing operations before income taxes [1]	**159,156**	138,658	112,942	81,796	41,750
Net earnings from continuing operations [1]	**104,446**	77,167	69,654	48,710	56,942
Net earnings [1]	**107,595**	74,184	66,201	55,475	62,223
Cash flow from continuing operations [3]	**130,934**	110,124	87,912	62,296	48,608
Long-term debt (including short-term portion)	**—**	—	8,756	—	—
Shareholders' equity [1]	**922,389**	865,513	787,402	625,668	565,218
Total assets [1]	**1,378,375**	1,319,518	1,227,919	1,009,037	945,355
Per-share data (in $) [4]					
Net earnings from continuing operations [1]	**1.87**	1.39	1.28	0.99	1.25
Net earnings [1]	**1.93**	1.33	1.22	1.13	1.37
Cash flow from continuing operations [3]	**2.34**	1.98	1.62	1.27	1.07
Dividend	**0.20**	0.15	0.15	0.15	0.15
Book value [1], [5]	**16.78**	15.45	14.25	12.61	11.63
Weighted average number of shares outstanding (000's)	**55,864**	55,638	54,233	49,151	45,482

AS PREVIOUSLY REPORTED [2] (in thousands of $)	2005	2004 [2]	2003 [2]	2002 [2]	2001 [2]
Earnings from continuing operations before income taxes	**159,156**	138,658	112,942	81,796	43,606
Net earnings from continuing operations	**104,446**	91,513	71,289	50,345	29,373
Net earnings	**107,595**	88,530	67,836	57,110	34,654
Shareholders' equity	**922,389**	855,560	763,103	599,734	537,649
Total assets	**1,378,375**	1,275,782	1,195,413	976,531	912,849
Per-share data (in $) [4]					
Net earnings from continuing operations	**1.87**	1.64	1.31	1.02	0.65
Net earnings	**1.93**	1.59	1.25	1.16	0.76
Book value [5]	**16.78**	15.27	13.81	12.09	11.07

REVENUES
in thousands



EBITDA [3]
in thousands



NET EARNINGS FROM CONTINUING OPERATIONS [2]
in thousands

SHAREHOLDERS' EQUITY [2]
in thousands

[1] *Restated. See note 2 of the audited consolidated financial statements and the "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" section on page 54 of the Management's Discussion and Analysis.*

[2] *As previously reported. See note 2 of the audited consolidated financial statements and the "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" section on page 54 of the Management's Discussion and Analysis.*

[3] *See definition in the "Supplementary Measures" section on page 67 of the Management's Discussion and Analysis.*

[4] *Per-share data have been restated to reflect the two-for-one stock split on April 9, 2002.*

[5] *Based on the number of shares outstanding as at August 31.*

MESSAGE TO SHAREHOLDERS

During Fiscal 2005, Astral Media once again delivered on its promises with excellent programming, exciting technological innovations and strong financial results.

In the process, we reinforced our leadership as a consumer-knowledge specialist, as the architect of a sound business strategy and the owner of some of Canada's most prized media assets.

Our strong performance this year resulted in compelling entertainment for our audiences, efficient marketing opportunities for our advertisers and a solid return for our shareholders.

Ian Greenberg, President and Chief Executive Officer
André Bureau, Chairman of the Board

Fiscal 2005 marked the ninth year of strong growth for the Company.

This record of consistent performance reflects the commitment and hard work on the part of our employees in all three business units – pay and specialty Television, Radio and Outdoor Advertising.

With a debt-free balance sheet and cash reserves of $100.9 million at year-end, Astral Media is poised to act on acquisition opportunities, while at the same time it is focused on optimizing its operations and exploiting the potential that technological and regulatory changes are bringing to the Canadian media industry.

We have been here before.

More than two decades ago, Astral Media was determined to invest in what was then a very small part of the Canadian media landscape – pay and specialty television. Our acquisitions and start-ups at the time proved propitious in many ways, reflecting the choices we believed Canadians would make in how they would come to watch their television in the future.

In 2005, for the first time, the overall profitability of pay and specialty television in Canada surpassed that of conventional television. What's more, our pay-television networks – The Movie Network, Super Écran and Mpix – have grown to be the largest private supporters of Canadian feature films and dramatic series, contributing over $420 million towards Canadian content since their launch.

New Toronto Column – Astral Media Outdoor

Rome – The Movie Network

That's So Raven – Family

Dre Nadia, psychologue à domicile – Canal Vie

Corneille – RockDétente

The Terminal – The Movie Network/Super Écran

In the late 1990s, we also made auspicious choices in the acquisition of several radio assets, at a time when radio was thought to be out of favour, as well as investing in a number of outdoor advertising properties. Now, in 2005, three million listeners every week, representing one out of two Quebecers, tune in to our three distinct radio networks – Énergie, RockDétente and Boom fm. In the Atlantic provinces, Astral Media continues to reap the benefits of the solid foundation it has in the region.

Also in 2005, Astral Media Outdoor introduced a stunning new advertising medium with the launch of MegaColumns in Montréal and the deployment of Toronto's first interactive urban column network adding to its inventory of over 3,700 advertising faces in Québec and Ontario.

READY FOR THE FUTURE WITH HD AND SVOD

Looking beyond 2005, as the 'on-demand' mentality of Canadians continues to take hold with our audiences and advertisers, we will once again be ready for the future with high-quality content and innovative technology.

Our early experiences with high-definition (HD) content and subscription-video-on-demand (SVOD) on The Movie Network and Super Écran are already proving highly successful. As a result, we are expanding these and other technologies across more of our networks. We are also creating new ways to deliver radio content that will meet the rapidly changing needs of Canadians as they adopt new listening devices that redefine the traditional concept of a radio.

BUILDING ASSET VALUE THROUGH BRAND VALUE

Over the years, we have built a portfolio of independent media brands under the umbrella of Astral Media's strong corporate identity and our tagline – *entertainment for* ***your*** *world*. This is particularly important in an age when a company's brand equity can account for a significant part of its goodwill and asset value. The fact is, Astral Media has created some of the best-known and most distinctive brands, and hence, some of the most valuable media properties in the Canadian media industry.

In 2005, we continued to work on optimizing the value of these brands – refreshing and refining the look of some and enhancing the focus of others – all in order to make them more relevant and attractive to audiences who face more entertainment choices than ever before when it comes to radio and television.

Our strategy of investing in and building up our brands in order to shape our future has proven to be a success.

In Fiscal 2005, Astral Media's growth came from the performance of its existing properties and not from new acquisitions. It was a very strong year for the Company overall, with revenue reaching a record $549.6 million, as well as reporting the highest EBITDA, earnings and earnings per share in its history.

Indeed, Astral Media has consistently grown in size and profitability, year after year for nine years and quarter after quarter. Our shareholders expect consistent growth from us and we are proud to have consistently delivered on this expectation.

On the other hand, what our audiences and advertisers expect from us is excitement. They like the fact that we know their tastes so well, we can deliver exactly the programming or the media platform they want or need. This speaks to the fact that our keen knowledge of our markets – won through an ongoing commitment to consumer and marketing research – is at the heart of our business strategy.

This holds true whether it's a decorating show on one of our specialty networks that reaches 23% of Québec's female population every week, a radio network whose website is visited over 250,000 times a month by listeners, or a new 24-hour, customer-care hotline that enhances our commitment to quality in our outdoor advertising network.

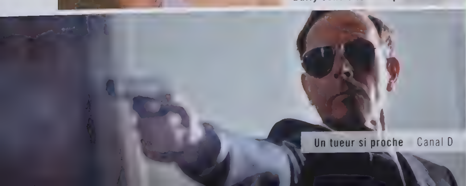
- In 2005, the overall market share for our French-language networks grew at a record level, capturing a combined market share of 23.2% of all television viewers in Québec. Since Fiscal 2000, this figure has increased by 45%, demonstrating the clear preference of Quebecers for our superior programming.

- In 2005, The Movie Network HD, a dedicated 24-hour high-definition channel was launched. The Movie Network's recent launch of TMN-HD, together with its robust programming offerings in Dolby Digital 5.1 surround sound and a successful subscription-video-on-demand service, continue to reinforce The Movie Network's position as a groundbreaker in Canadian broadcasting technology.

- In 2005, our advertisers particularly liked the fact that a record one million listeners each week tuned in to Énergie's *Les Grandes Gueules*, Québec's most popular drive-home radio show, which is broadcast across the province.

- In 2005, the downtown streetscapes of Canada's two largest cities were transformed with a series of boldly innovative, street-friendly advertising columns launched by Astral Media Outdoor.


Buffy contre les vampires – Ztélé


Un tueur si proche – Canal D

Les Grandes Gueules and Richard Turcotte – Énergie

Shrek 2 – The Movie Network/Super Écran

Passion Maisons – Historia

New Montréal MegaColumn – Astral Media Outdoor

MANAGEMENT DEDICATION CREATIVITY: THE [illegible] DIFFERENCE

Our performance in 2005 is the result of strong leadership and true dedication at every level of our organization. At Astral Media, our management team is second to none and our 1,700 employees continuously demonstrate their drive for excellence and creativity. In our corporate culture, the combination of hard work, innovation and a sense of personal responsibility produce an end result that is both refreshing and expected.

Given the results of 2005, we are gratified to see that this philosophy is alive and well, and working in all divisions of the Company.

We are also gratified that our advertisers, suppliers and our millions of viewers and listeners continue to come to Astral Media for unparalleled creativity, entertainment and marketing excellence.

Finally, we would like to express our sincere appreciation to the members of our Board of Directors for their wise counsel and support throughout the year. In particular, we would like to salute Mrs. Edith Greenberg who has been a member of our Board since January 1997, and who will be stepping down in December 2005.

This has been another highly successful year for Astral Media and we look forward to working towards yet another strong year in Fiscal 2006.

Ian Greenberg

Ian Greenberg
President and Chief Executive Officer

André Bureau

André Bureau
Chairman of the Board

October 31, 2005

TELEVISION

IN FISCAL 2005, ASTRAL MEDIA'S PAY AND SPECIALTY NETWORKS CONTINUED TO GROW IN TERMS OF MARKET SHARE, REVENUES AND PROFITABILITY. THEIR PERFORMANCE WAS DRIVEN BY TOP-NOTCH, QUALITY PROGRAMMING AND INNOVATION.

PAY TELEVISION

Astral Media's pay networks, The Movie Network, Super Écran and Mpix as well as Viewer's Choice and Canal Indigo continued to show solid overall growth in Fiscal 2005.

With exclusive, commercial-free movies from Canada, the U.S. and around the world, The Movie Network and its French-language counterpart, Super Écran, surpassed 1.5 million combined subscribers for the first time in their history, reinforcing Astral Media's position as the country's largest broadcaster of pay-television services.

In addition, Astral Media's pay-TV networks remain the largest private-sector financial supporters of Canadian feature films and dramatic series. Since their launch, The Movie Network, Super Écran and Mpix have contributed over $420 million towards Canadian programming, and in this past year alone, they invested a record $48 million.

ReGenesis – The Movie Network

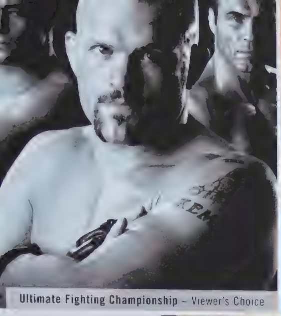
Taxi Driver – Mpix

Throughout Fiscal 2005, Astral Media's pay-television services continued to differentiate themselves both in terms of the introduction of new technologies and by offering the highest quality programs aimed at enhancing a truly premium entertainment service.

In May 2005, the Company expanded its High-Definition (HD) offering with the launch of a 24-hour HD television channel for The Movie Network. Pacing itself ahead of the market, the new TMN-HD is a dedicated channel offering the highest HD content of any movie service in Eastern Canada, in a high-resolution, wide-screen format with CD-quality sound.

This same strategy is already realizing returns for a technological innovation that was introduced last year. The Movie Network *OnDemand* and Super Écran *sur demande* are subscription-video-on-demand (SVOD) services available across Eastern Canada, in English and French. With no scheduling constraints, SVOD lets viewers watch what they want, when they want, 24 hours a day, while also letting them pause, stop, rewind and fast-forward their programs. Since SVOD launched in 2004, the two services have enjoyed impressive growth. Nearly 70% of The Movie Network's subscribers with access to *OnDemand* regularly use the service, to the tune of more than two million transactions or "views"

Six Feet Under – The Movie Network



Ultimate Fighting Championship – Viewer's Choice

Louis-José Houde – Canal Indigo

Head in the Clouds – Super Écran

Troy – Super Écran

per month. For Super Écran, *sur demande* also continues to grow at a steady rate, confirming a high degree of interest and satisfaction with the service in the Québec market.

The Movie Network's five subscriber-based multiplex channels – M, MMore, MExcess, MFun! and MFest – each offer uncut commercial-free movies, 24 hours a day. During Fiscal 2005, The Movie Network, true to its tagline – *Not Regular Television*, continued to differentiate itself with its quality programming, offering exclusive premieres of HBO and Showtime movies and series in Eastern Canada, including high-profile shows such as *Rome* and the fifth and final season of *Six Feet Under,* as well as top Canadian productions such as *Regenesis* and *Slings and Arrows* (season 2). Driven by such critically acclaimed programming, The Movie Network was the number one network for audiences 18 to 34 and 35 to 49 among all Canadian English-language pay and specialty services in Eastern Canada.

Super Écran is North America's only French-language pay-television network. Its tagline, *La télé des cinévores*, reflects its premium offering of blockbuster Hollywood hits and homegrown productions such as *Nez rouge*, *La Peau blanche*, and Canadian-made, *Head in the Clouds*, as well as top-rated comic variety shows like *Grandes Premières – François Léveillée* and *Marc Dupré*. During Fiscal 2005, Super Écran maintained its number one position among all pay and specialty services in Québec for audiences 2+. This position was especially strong among viewers 18 to 34 (6.7% share) and among those 35 to 49 (5.6% share).

In 2005, Mpix built on its position as the ultimate Canadian film fan's destination of choice by changing its second time-shifted channel to a linear scheduled one, Mescape. The two 24-hour pay-television channels now offer subscribers a much greater variety of movies.

Viewer's Choice and Canal Indigo offer more than 48 channels of commercial-free, in-home viewing of hit movies, sporting events and concerts. Their respective taglines – *Viewers Choice: See it All* and *Canal Indigo: La satisfaction sur demande* – reflect the huge choice and in-home convenience that they offer.

During Fiscal 2005, that choice was increased even more on Viewer's Choice with the live broadcast of sporting events such as *The Ultimate Fighting Championship* and *Hopkins vs. Taylor* as well as first-run movies such as *Ocean's Twelve, The Aviator* and *Meet the Fockers.* On Canal Indigo, events such as *Interboxe* and *Les galas Loto-Québec Juste pour rire* continued to draw viewers as well as movies such as *National Treasure, The Day After Tomorrow* and Québec favorites such as *Camping Sauvage.*

SPECIALTY TELEVISION

This past year, revenues and audience share for Astral Media's 10 English- and French-language specialty networks continued to grow, reinforcing the relevance of programming available on its specialty networks.

FRENCH-LANGUAGE SPECIALTY NETWORKS

In fact, while French-language specialty channels in Québec saw their market share grow by 41% over the past five years, Astral Media's French-language specialty networks showed an average increase of 58% over the same period. Of course, there are more than market and demographic forces at play here. The quality of our specialty programming continues to win viewers over, and in Fiscal 2005 alone, our French-language specialty networks invested over $43.8 million in original Canadian productions.

Chantiers – Historia

Astral Media's French-language specialty channels are a major cultural force in Québec and a hugely popular source of entertainment. Together, Canal D, Canal Vie, VRAK.TV, Ztélé, Historia, Séries+, MusiquePlus, MusiMax and TÉLÉTOON represent 66% of the audience for French-language specialty channels in Québec. In Fiscal 2005, these channels recorded impressive audience gains, along with advertising and subscriber revenue increases.

Canal D celebrated 10 years on air with its best-ever performance in Fiscal 2005. Following the repositioning strategy implemented in Fiscal 2004, Canal D saw an impressive 14% increase in audience share among male viewers 25 to 54, now reaching some 3.5 million viewers each week.

Canal Vie continued to enjoy considerable success during Fiscal 2005 with its magazine-format shows. Considered the lifestyle benchmark for French-language Québec women aged 25 to 54, Canal Vie has maintained its market share for this demographic despite more aggressive competition for female viewers by conventional channels this year. Its top shows include *Décore ta vie* and newcomers *Dre Nadia, psychologue à domicile* and *L'espace d'un été*.

L'espace d'un été – Canal Vie

La violence dans le sport – Canal D

Projet tuning – Ztélé

Les experts – Séries+

Dans une galaxie près de chez vous – VRAK.TV

Since its relaunch in 2001 as VRAK.TV, the channel has grown to be the most popular French-language specialty network in Québec for kids aged 2 to 14. In Fiscal 2005, the network captured 11% of that market and 16% of the "tween" audience, the 9-to-14 market. VRAK's viewers identify strongly not only with the network's cartoons, sitcoms, dramas and made-in-Québec productions such as *Dans une galaxie près de chez vous* and *Une grenade avec ça?*, but also with the network's growing interactivity.

Ztélé is all about innovation, technology and science fiction. In 2005, the network followed its spectacular 2004 audience increase of 65% among male viewers aged 18 to 49 with the repositioning of its brand to appeal to a broader audience. With a market share increase of 5% among male viewers 18 to 49, the new brand position is clearly meeting with success. The network's flagship show, *La revanche des nerdZ*, with its popular host Patrick Masbourian, continues to be a strong anchor for an excellent programming lineup, which also includes newcomer, *Projet tuning*.

Historia's audience share among viewers aged 25 to 54 grew slightly during the year. Long-running shows like *JAG* and *Pensacola* continued to delight history buffs, as did new ones such as *Passion maisons* and *Les sept merveilles du monde industriel*.

In Fiscal 2005, Québec women aged 25 to 54 continued their fascination with Séries+ and its unique blend of round-the-clock drama. With viewers devoting close to three hours a week to its programming, Séries+ had the highest average weekly viewership of any specialty channel in Québec for the second year in a row.

MusiquePlus celebrated its 18th anniversary in September 2004. The milestone event helped bolster the network's brand image with its target audience and advertisers, resulting in the network's best advertising revenues to date. MusiquePlus continues to offer advertisers the highest concentration of viewers aged 12 to 24 of any French-language specialty channel in Québec. With a rise in market share of 20% in 2005, MusiquePlus now reaches 60% of all Québec audiences in this key age group each week. The network reinforced its comedy/music programming niche with comedians like Mike Ward and Martin Perizzolo, and the launch of four new interactive music shows: *La Voûte, Cool, la Soif!, Flambant n'œuf*, and *Presque Top5.com*.

Meanwhile, MusiquePlus' sister network MusiMax broke new ground in 2005 as Québec's leader in 24-hour-a-day popular music. With a record 2.3 million viewers each week, MusiMax reached out to its audience with two major programming events: the first, on New Year's Day 2005, saw over 469,000 viewers tune in to a tribute to the history of Québec music videos, *Soirée des Clips*, and the second, the exclusive live broadcast of the 2005 *Gala des Prix Génie*, drew an audience of 328,000 – both huge numbers which bode well for further music event programs in the year to come.

ENGLISH-LANGUAGE SPECIALTY NETWORKS

Family is Astral Media's premium network offering fun family television entertainment in five million homes across Canada. Family's tagline – *Never a Dull Moment* – captures the channel's promise of non-stop action, including Canadian original productions and Disney's world-renowned movies, series and specials such as the hugely popular, *That's so Raven* as well as *Zoey 101*. In 2005, Family was the number one network in Canada for children aged 8 to 14. It was also number one in reaching one of the most elusive audiences of all: teenagers aged 12 to 17. Traffic on Family's highly interactive website also continued to grow, exceeding one million unique visitors a month.

Family continued to build the appeal of its brand through a series of grassroots marketing initiatives, community events and a programming campaign that enhanced its brand positioning with its core audience. The network's second annual Bullying Awareness Week strengthened its association with an issue close to its audience, garnering increased audience participation and a number of prestigious awards for community service.

TELETOON achieved an extraordinary year of growth in Fiscal 2005, continuing its pace as one of the most profitable youth-oriented specialty channels in Canada. Since its launch in 1997, this unique English- and French-language animation network for audiences

Atomic Betty – TELETOON

Naturally, Sadie – Family

Ned's Declassified School Survival Guide – Family

La vie rurale – MusiMax

Le Mike Ward Show – MusiquePlus

6TEEN – TELETOON

of all ages has consistently achieved double-digit EBITDA growth. TELETOON audiences also continued to grow, particularly in the 18 to 34 year-old demographic. Viewership for *The Detour on TELETOON*, the post-9 p.m. programming block, grew an impressive 80% on the English-language network, while TÉLÉTOON boosted its 18 to 34 audience by 31% during the same time slot. During Fiscal 2005, teletoon.com became the number one broadcast-driven website in Canada for kids, growing 49% over last year and hosting an average of 1.1 million visitor sessions monthly.

ASTRAL MEDIA TVPLUS

Astral Media TVPlus, the Company's specialty television sales division, has enjoyed remarkable growth for the seventh year in a row. Its advertising revenues increased by 22% compared to an average growth of 10% for specialty channels in Canada.

Astral Media TVPlus continues to innovate with the introduction of a new computerized sales system over the next year that will allow clients to connect directly to the advertising inventory of its networks. This initiative, which will simplify the purchasing process, will enable the division to further improve customer-satisfaction ratings and stay focused on its primary objective of continually enhancing its services.

ASTRAL MEDIA MIX

Astral Media Mix, the Company's sales service for advertisers seeking integrated solutions across a combination of Astral Media's television, radio and outdoor advertising platforms, had a strong year in Fiscal 2005. Astral Media Mix distinguished itself with highly creative campaigns on the Company's three advertising mediums that included a targeted campaign for Rogers featuring star Énergie radio host, François Pérusse.

COMING SOON...

Compelling and distinctive content along with a commitment to market research will continue to drive programming on all our networks, offering our viewers the best in-home entertainment experience possible.

Looking forward, Astral Media will continue to build on the early and overwhelming success of SVOD and HDTV for our pay services, enhancing the added value that these and other innovative broadcast technologies bring to our viewers. For our specialty services, we expect overall market share and advertising revenues to continue to grow.

Fiscal 2006 is shaping up to be an exciting year for Astral Media's Television divisions. Subsequent to year-end, we launched cinépop, our new French-language, digital pay-television classic movie channel. We were also granted five new digital, category 2 French-language specialty licences as well as two new digital, English-language category 2 specialty licences. We are looking forward to developing and launching these channels as market conditions and opportunity permit.

Stay tuned!

ASTRAL TELEVISION NETWORKS

SENIOR MANAGEMENT

From left to right

1. **Domenic Vivolo**, Senior Vice-President, Marketing and Sales, Astral Television Networks
2. **John Pow**, Vice-President, Finance and Administration, Astral Television Networks and Astral Télé Réseaux
3. **Len Cochrane**, President, TELETOON
4. **John Riley**, President, Astral Television Networks and Astral Télé Réseaux
5. **Johanne Saint-Laurent**, Vice-President and General Manager, Astral Télé Réseaux and Senior Vice-President, Business Affairs, Les Chaînes Télé Astral
6. **Kevin Wright**, Senior Vice-President, Programming, Astral Television Networks
7. **Joe Tedesco**, Vice-President and General Manager, Family

From left to right
1. **Bernard Damais**, Senior Vice-President, Administration and Finance, MusiquePlus and MusiMax
2. **Yves Lagacé**, Senior Vice-President, Finance, Technologies and Operations, Les Chaînes Télé Astral
3. **Johanne Saint-Laurent**, Senior Vice-President, Business Affairs, Les Chaînes Télé Astral and Vice-President and General Manager, Astral Télé Réseaux
4. **Michelle LaBarre**, General Manager, Astral Media Mix
5. **Pierre Roy**, President, Les Chaînes Télé Astral
6. **Pierre Marchand**, Vice-President and General Manager, MusiquePlus and MusiMax
7. **Claude Lizotte**, Vice-President and General Manager, Astral Media Plus
8. **Judith Brosseau**, Senior Vice-President, Programming and Communications, Canal D, Historia, Séries+, Les Chaînes Télé Astral
9. **Marie Collin**, Senior Vice-President, Programming and Communications, Canal Vie, VRAK.TV, Ztélé, Les Chaînes Télé Astral

LES CHAÎNES TÉLÉ ASTRAL

SENIOR MANAGEMENT

RADIO

THE STRONG PERFORMANCE OF ASTRAL MEDIA RADIO IN 2005 WAS FUELLED BY STRONG MARKET RESEARCH, A CONTINUED DRIVE FOR INNOVATION AND CONSISTENT QUALITY IN OUR PROGRAMMING. IT HAS RESULTED IN RECORD LEVELS OF LISTENERSHIP AND REVENUES.

Astral Media Radio (AMR) continued to show solid revenue growth in Fiscal 2005. The strong performance of its 29 stations in Québec and the Atlantic provinces led to a 7% increase in its revenues, which surpassed the $110 million mark for the first time in AMR's history. Its EBITDA margin of 33.3% for the year was amongst the highest in the Canadian radio industry. In New Brunswick and Nova Scotia, our eight stations all contributed to our steady growth as a major force in the Atlantic radio market.

In May 2005, the Canadian Radio-television and Telecommunications Commission (CRTC) approved the exchange of a number of radio assets between Astral Media and Corus Entertainment. This long-awaited decision enabled AMR to add five profitable FM stations to its roster in Québec. These include two stations in Rimouski, as well as stations in Amqui, Drummondville and St-Jean-sur-Richelieu. With this transfer of stations completed, the Énergie network has grown to 10 stations, RockDétente to seven, and Boom fm to four.

AMR's three networks in Québec deliver both highly complementary audiences and enticing demographics to advertisers. Énergie, with its tagline – *Monte le Son (pump up the volume)* – reaches over 1.6 million young adults in Québec each week. RockDétente – *La plus belle variété musicale (the best musical variety)* – reaches 1.4 million adult listeners each week. Boom fm – *Vous connaissez les paroles (you know the words)*, which was established just two years ago, continues to increase its audience reach with excellent growth in its markets.

Altogether, over three million listeners in Québec tune in every week to AMR's networks, which is an astounding one out of every two Quebecers. In the province's 13 largest markets, our networks reached more than 50% of the listening audience in Fiscal 2005. Furthermore, four of the five most popular radio programs in Québec aired on Énergie or RockDétente.

In Fiscal 2005 Énergie held on to its leadership position with the top shows and radio hosts in the Québec market. For the sixth year in a row, Énergie's drive-home show, *Les Grandes Gueules*, reached more than one million listeners each week, making it once again the number one radio program in Québec.

In Fiscal 2005, we continued to refine the image of RockDétente, repositioning its brand and musical lineup, and creating a new visual identity for the network. With its must-hear weekday and weekend features, RockDétente delivered the second, third and fifth most listened-to shows in Québec.

Tout l'monde debout – RockDetente

C't'encore drôle – Energie

La plus belle variété musicale

La plus belle variété musicale – RockDetente

Freddy Mack, Uncle Rob and Pat Slaney – The Fox, Astral Media Radio Atlantic

The BOOMWAGEN – Boom fm

Télé-Annonces

Martin Petit, Le Monde est Petit – Énergie

Ratings for the new Boom fm network continued their growth in Fiscal 2005. Strong musical programming tailored to the network's baby-boomer audience continues to drive listener satisfaction.

In the Atlantic provinces, Astral Media Radio Atlantic's seven FM and one AM stations continued to show strong results and listener loyalty. Advertising revenue growth reflecting the stations' performance outpaced the market as a whole.

During Fiscal 2005, AMR'S performance was not only reflected in numbers. The Canadian Association of Broadcasters honoured François Pérusse and his *Les deux minutes du peuple* with a Gold Ribbon Award. Outaouais' Énergie 104.1 was also honoured with a Gold Ribbon Award for community service for its program *Défi 104 jours.*

Several AMR artists were also honoured at the 2005 *Gala des Oliviers*, including Martin Petit, François Pérusse and *Les Grandes Gueules.* They are part of the more than 1,000 professionals, technicians, writers and performers who contribute to the excellence of Astral Media Radio.

Our classified-ad television and Internet service, Télé-Annonces, also had a strong year in Fiscal 2005. The network refreshed its visual identity, appealing to a younger, more consumer-oriented audience. With more than 1.55 million cable households watching an average of two hours of Télé-Annonces programming a week, sales for the network increased by more than 25% in the year.

Radio stations everywhere use their websites to boost listener loyalty and in 2005, AMR's interactive sites in Québec were visited by more than half a million individual visitors each month. These sites are among the most information-rich in Canadian radio, representing more than 40 million pages viewed per month.

During Fiscal 2006, AMR will also be launching a new subscription-based musical website – Radio-Libre.ca. This site will offer subscribers the opportunity to customize musical profiles and preferences, which will be updated regularly, offering subscribers a unique compilation of all the best, current and traditional musical content. This streaming service will be available in both French and English.

AMR has over 100 experienced advertising professionals whose sole focus is to ensure that our clients' needs are met. At a time of unprecedented technological change in the radio industry, our teams are able to offer a variety of new and distinctive marketing opportunities, just as the 3 million people who make up the audience for our radio stations have an unprecedented level of choice when it comes to how and when they can tune in to their favorite radio programs on our networks. Astral Media Radio continues to innovate in the way it delivers its quality programming to its listeners. It remains committed to offering the best radio experience for a variety of different tastes.

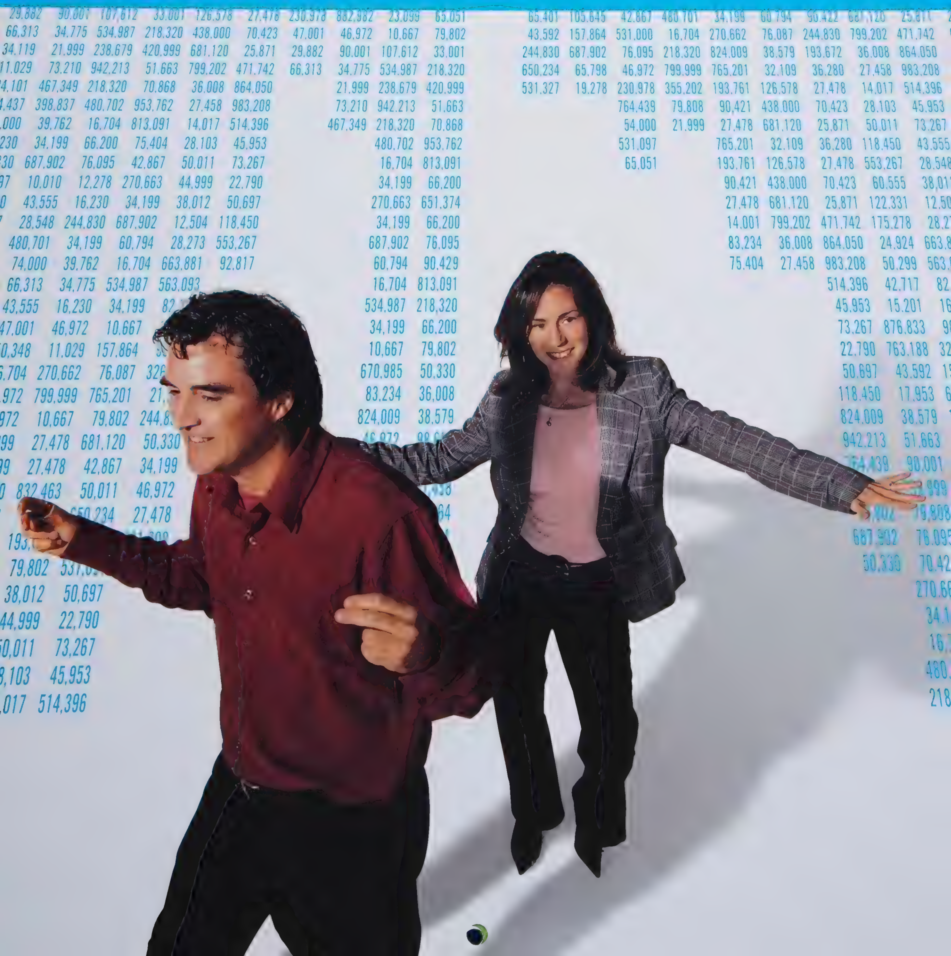
ASTRAL MEDIA RADIO

SENIOR MANAGEMENT

From left to right:

1. **Jean-François Larrain,** Vice-President, Finance and Administration, Astral Media Radio and Astral Media Outdoor
2. **Luc Sabbatini,** Executive Vice-President and Chief Operating Officer, Astral Media Radio, Outdoor and Astral Media Outdoor
3. **Martial Vincent,** Vice-President and General Manager, Télé-Annonces
4. **Denis Rozon,** Vice-President, Radio-Libre.ca and Télé-Annonces
5. **Jacques Parisien,** President, Astral Media Radio and Astral Media Outdoor
6. **John Eddy,** Executive Vice-President, Astral Media Radio Atlantic
7. **Charles Benoit,** Vice-President, Programming, Astral Media Radio
8. **Anne McNamara,** Vice-President, Human Resources and Industrial Relations, Astral Media Radio and Astral Media Outdoor
9. **Luc Tremblay,** Vice-President, Station Management, Astral Media Radio
10. **Robert Trempe,** Vice-President, Sales and Marketing, Astral Media Radio and Astral Media Outdoor

1. **Sylvain Langlois**, Vice-President and General Manager, Astral Media Radio Interactive
2. **Claude Laflamme**, Vice-President Corporate and Regulatory Affairs, Astral Media Radio and Astral Media Outdoor



OUTDOOR ADVERTISING

IN 2005, ASTRAL MEDIA OUTDOOR HAS UNDERGONE SOME IMPRESSIVE CHANGES. THE DIVISION HAS REORIENTED ITS OPERATIONS, IMPROVED EFFICIENCIES, ADDED TO ITS INVENTORY AND ONCE AGAIN DEMONSTRATED ITS ABILITY TO INNOVATE BY INTRODUCING TWO ENTIRELY NEW OUTDOOR ADVERTISING PRODUCTS TO CANADA'S LARGEST MARKETS.

Through new product launches, a strategic acquisition, stringent new quality control measures and a renewed attention to customer service, Astral Media Outdoor (AMO) delivered a compelling performance in Fiscal 2005.

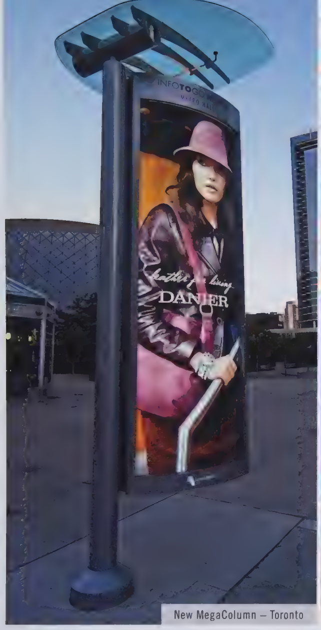
In July 2005, AMO launched an outdoor network of stylized advertising and information columns in downtown Toronto. This marked the first introduction of street-level advertising columns of any kind to Canada's largest city. The result of a strong partnership with the City of Toronto, the INFOTOGO column project combines an innovative advertising medium with the city's first interactive map system.

With two sizes, street-level and mega-sized, the 25 new columns – offering 50 advertising faces – are inspired by the architecture of Toronto's City Hall. Residents and visitors alike can use the columns to find out what to do and see in Toronto, find key sites of interest in the neighborhood, obtain free information through a push-button audio system and purchase pocket-sized city maps. The columns also offer advertisers a creative new street-level marketing vehicle, targeting the city's mobile urban population.

New MegaColumn – Montreal

Max format

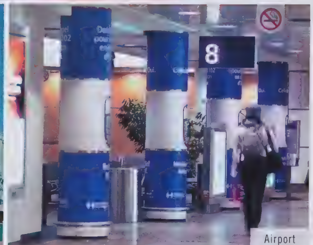
Zontal format



New MegaColumn – Toronto

Column format


Classic format



Airport

In Montréal, over the course of the year, 16 MegaColumns rose up in the heart of downtown, bringing new street-level sophistication to both marketing and urban design. The 32 new large-scale advertising faces, illuminated 24 hours a day, are both ultra-modern and at the same time, reminiscent of 19th century Paris.

Initial reaction to the new columns in Montréal and Toronto has been very positive, with strong advertising sales in both markets.

In May 2005, AMO enhanced its already strong presence in airport advertising with the acquisition of Passeport Média, a company specializing in electronic airport advertising. Adding to AMO's already significant network of faces at the Montréal-Trudeau airport, the acquisition added 23 plasma and LED advertising boards to the airport's international arrivals and customs areas. The Passeport Média purchase also added plasma and LED digital boards at Calgary International Airport to AMO's offering.

During the fiscal year, AMO also put in place a series of new programs to ensure that the division continues to offer a level of quality and service unmatched in the industry. These programs include a new inventory management system to accelerate the work of all departments and to allow the division to evolve with the technological changes transforming the outdoor advertising industry.

A quality control program was also implemented, aimed at responding quickly to any problems in the network with the help of a 24-hour-a-day hotline (1-866-8-ASTRAL) for clients and consumers in Québec and Ontario.

With overall quality enhancement in mind, AMO also created two new departments, the first dedicated to media creativity, and the second, to marketing and research. Both of these departments will play important roles in implementing the use of outdoor advertising, and in helping clients optimize their media investments.

The Canadian outdoor advertising market is increasingly demanding new levels of visual sophistication and interactivity. Astral Media Outdoor continues to be ahead of the curve, pushing the boundaries of creativity in outdoor advertising, while putting new strategies and processes in place which transform opportunities into new revenue-generating sources.

ASTRAL MEDIA OUTDOOR

SENIOR MANAGEMENT

1. **Valerie Meyer,** Vice-President, Sales, Astral Media Outdoor, Ontario
2. **André Allard,** Vice-President, Sales and Marketing, Astral Media Outdoor, Québec

From left to right:

1. **Luc Beaulieu**, Vice-President, Operations, Astral Media Outdoor
2. **Jean-François Lorrain**, Vice-President, Finance and Administration, Astral Media Radio and Astral Media Outdoor
3. **Claude Laflamme**, Vice-President Corporate and Regulatory Affairs, Astral Media Radio and Astral Media Outdoor
4. **Jacques Parisien**, President, Astral Media Radio and Astral Media Outdoor
5. **Anne McNamara**, Vice-President, Human Resources and Industrial Relations, Astral Media Radio and Astral Media Outdoor
6. **Luc Sabbatini**, Executive Vice-President and Chief Operating Officer, Astral Media Radio, Quebec and Astral Media Outdoor
7. **Robert Trempe**, Vice-President, Sales and Marketing, Astral Media Radio and Astral Media Outdoor

INVESTING IN CANADIAN CULTURE

ASTRAL MEDIA HAS A LONG-STANDING HISTORY OF SUPPORT FOR CANADIAN CULTURAL EXPRESSION. WE WERE THE FIRST BROADCASTER TO SET UP A PRIVATE FUND TO SUPPORT THE DEVELOPMENT OF FILM AND MADE-FOR-PAY-TV PRODUCTIONS WITH THE CREATION OF THE FUND/LE FONDS IN 1986. TODAY WE CONTINUE TO PROVIDE SUPPORT TO THOUSANDS OF ARTISTS, SCRIPTWRITERS, DIRECTORS, PRODUCERS AND OTHER INDUSTRY PROFESSIONALS ALLOWING THEM TO CREATE WORKS THAT BOTH REFLECT AND CONTRIBUTE TO OUR SENSE OF NATIONAL IDENTITY.

Catherine De Léan and Marc Paquet in **Une simple catastrophe**

Anne-Marie Cadieux in **Miss Météo**

Ray Liotta, Glenne Headly, and Rachel Blanchard in **Comeback Season**

Céline Bonnier and Patrice Robitaille in **Annie croyait aux esprits**

Sigourney Weaver in **Snow Cake**

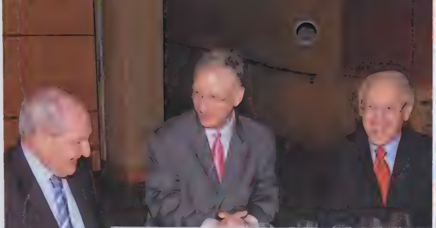
Astral Media is committed to its leadership role in supporting the unique creative talents of the Canadian film, radio and television industries. We continue to be the country's largest private investor in English- and French-language content, financing every stage of film production from script development to equity investment and promotion. Astral Media proudly showcases Canadian productions on its networks, offering considerable visibility to Canadian talent.

Last year alone Astral Media's pay, specialty and radio networks spent over $112.4 million on the development and purchase of Canadian content, original programming and in support of home-grown talent. Of that amount, $64 million was spent by Astral Media's French-language radio and television services. In 2005, this included the first-ever commission of an original French-language movie by Super Écran. *Miss Météo* is a spin-off of the highly successful Québec-made movie, *Maman Last Call*. It aired on Super Écran in October, 2005.

Since its creation in 1986, The Harold Greenberg Fund/Le Fonds Harold Greenberg has invested over $45.5 million in the development and production of 2,204 Canadian film and television productions. In Fiscal 2005, The Fund/Le Fonds invested over $4 million in 154 projects including, Marc Evans' *Snow Cake* and Bruce McCulloch's *Comeback Season*. It also invested in Denis Chouinard's *Annie croyait aux esprits* and Stéphane Lapointe's *Une simple catastrophe*.

While investing in Canada's cultural industries is a responsibility which is incumbent on all broadcasters, Astral Media prides itself on the conscientious care and management of its investments, ensuring critical support for the highest-quality creative Canadian productions.

Astral *Media*
The Harold Greenberg Fund
Le Fonds Harold Greenberg



André Bureau, Tom Peters and Ian Greenberg – September 2004

ASTRAL MEDIA IS COMMITTED TO SURPRISING AND ENTERTAINING ITS EVERY AUDIENCE – INCLUDING THE ADVERTISING COMMUNITY.

Astral Media recognizes the importance of maintaining creativity and innovation in all aspects of our business and that is why we pay particular attention to the needs of all our stakeholders. In Fiscal 2005, we continued to invest in our advertising clientele, offering targeted research, a unique combination of advertising platforms in radio, specialty television and outdoor advertising and a heightened level of customer care.

POUR REJOINDRE VOTRE MONDE – THE 2005 TRADESHOW

For the fourth year in a row, Astral Media hosted the *Astral Media TVPlus TradeShow* on June 16, 2005. This unique opportunity allowed advertising professionals – media buyers, media planners, direct customers as well as cable and satellite TV distributors – to interact directly with the programming and marketing directors of each Astral Media French-language specialty network. The purpose of the Tradeshow is to give the advertising community an exclusive preview of the fall programming lineup on Canal Vie, Canal D, Ztélé, Historia, Séries+, MusiquePlus, MusiMax and TÉLÉTOON.

ASTRAL MEDIA HOSTS TOM PETERS

In September 2004, as part of Astral Media's continued efforts to give clients the opportunity to better understand their customers and their markets, the Company held its first-ever exclusive conference for Montréal's advertising community featuring the internationally renowned author and speaker, Tom Peters. For an audience of some 300 advertising executives, Peters passionately challenged managers to reinvent their business models by taking risks, rejecting all forms of mediocrity and by being creative in what he calls a disruptive age. Because of the success of the event, Astral Media has made this conference an annual event with the likes of the Boston Philharmonic Orchestra's conductor, Benjamin Zander, lined up for Fiscal 2006.

ON TARGET WITH ADVERTISERS

INVESTING IN THE COMMUNITY

ASTRAL MEDIA IS IMPROVING THE HEALTH AND LIVES OF PEOPLE IN OUR COMMUNITY – AND DOING IT WITH A SMILE!

Over the years, Astral Media and its business units have been generous supporters of many non-profit and charitable organizations, either through donation of airtime on our radio and television networks, ad space on our billboards or through direct financial support. Our philanthropic focus has generally been health and education, and in Fiscal 2005 alone we contributed over $12 million in value to a wide variety of organizations.

Fiscal 2005 also marked the first time that Astral Media established an official community partnership with a single non-profit organization.

Dr Clown is a small, young organization based in Montréal that brightens the lives of patients in hospitals through therapeutic clown programs that bring professionally trained artists together with patients in an atmosphere of imagination and fun. For children and families in hospital situations, *Dr Clown* alleviates the fear of the unknown; they brighten the surroundings and bring comic relief to situations that are not at all funny. In its work with the elderly in long-term care facilities, *Dr Clown* brings a spark of friendship and life where loneliness often prevails.

This partnership with *Dr Clown* reinforces the Astral Media corporate branding program by introducing our theme – *entertainment for **your** world* – to new audiences. We believe our investment will have a large impact on *Dr Clown* as an organization and will reach millions of Quebecers. What's more, it is a cause that our employees identify with and one we are proud to support in such a major way.

Our three-year partnership is aimed at helping *Dr Clown* increase its awareness and fund-raising capacity through an on-air radio and TV campaign of public service announcements across Québec. Over the course of our partnership with *Dr Clown*, Astral Media will donate some $3 million in free airtime to this most deserving organization.

Astral Media has also built strong community partnerships over the years with other causes, which we are proud to continue to support. These include Super Écran's support of *La Fondation OLO*, Family's support of *Bullying Awareness* (www.bullying.org), Rock-Détente and *Le Club des Petits Déjeuners*, and Les Chaînes Télé Astral and *Générations*. We also lend our corporate support to the annual *Media's Big Food Drive*, *La grande guignolée des médias*, as well as the *United Way*.

Dr Clown in action at The Montreal Children's Hospital

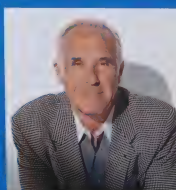
Dr L'Air de Rien – Olivier-Hugues Terreault

Mr. Bureau and Dr Fifi, (Melissa Holland) – at the press conference announcing the partnership

ASTRAL MEDIA CORPORATE SERVICES

From left to right:

1. **Louis Ryan,** Vice-President, Strategic Planning, Synergy and IT, Astral Media
2. **Sophie Émond,** Vice-President, Regulatory and Government Affairs, Astral Media
3. **Louis Tassé,** Assistant Vice-President, Human Resources, Astral Media
4. **Claude Gagnon,** Senior Vice-President and Chief Financial Officer, Astral Media
5. **Arnold Chiasson,** Vice-President, Human Resources, Astral Media
6. **Alain Bergeron,** Vice-President, Brand Management and Corporate Communications, Astral Media
7. **Brigitte Catellier,** Vice-President, Legal Affairs and Secretary, Astral Media



Sidney Greenberg,
Vice-President, Astral Media

BOARD OF DIRECTORS

Normand Beauchamp(3)
President
Capital NDSL Inc.

Austin C. Beutel[1(Chair)]
Corporate Director
and Chairman
Oakwest Corporation Limited

Paul A. Bronfman
Chairman and
Chief Executive Officer
Comweb Group Inc.

André Bureau, O.C.
Chairman of the Board
Astral Media Inc.

Jack L. Cockwell[1,3]
Group Chairman
Brookfield Asset
Management Inc.

George A. Cohon, O.C.[2(Chair),3]
Founder
McDonald's Restaurants
of Canada Limited and
Founder McDonald's Russia

Paul V. Godfrey, C.M.[1,2]
President and
Chief Executive Officer
Toronto Blue Jays Baseball Club

Edith Greenberg
(until December 7, 2005)
Chairperson
Halgreen Holdings Inc.

Ian Greenberg
President and Chief Executive Officer
Astral Media Inc.

Sidney Greenberg
Vice-President
Astral Media Inc.

Sidney M. Horn
Partner
Stikeman Elliott LLP

Mila P. Mulroney
Corporate Director and Vice-President
Cansult Communications Inc.

Timothy R. Price[1,2,3(Chair),4]
Chairman
Funds Management
Brookfield Asset Management Inc.

Committees of the Board of Directors

1 *Audit*
2 *Compensation and Human Resources*
3 *Corporate Governance and Nominating*

4 *Lead Independent Director*

CORPORATE GOVERNANCE

ASTRAL MEDIA BELIEVES THAT EFFECTIVE CORPORATE GOVERNANCE PRACTICES ARE FUNDAMENTAL TO THE OVERALL SUCCESS OF A COMPANY.

Our Board of Directors supervises and evaluates the management of the Company and oversees matters related to its strategic direction, business and operations. The Board's mission is to protect the interests of the Company and its shareholders.

There are three Committees of the Board: the Audit Committee, the Compensation and Human Resources Committee and the Corporate Governance and Nominating Committee.

Our Lead Independent Director ensures that the Board carries out its responsibilities effectively. Every meeting of the Board is followed by a session without the presence of management to ensure free and open discussion among our independent directors.

Astral Media is committed to fully complying with applicable corporate governance requirements and seeks to continuously improve its corporate governance standards. Over the past few years, Astral Media has made a number of important changes to its corporate governance practices and to the transparency of those practices. As such:

- Two thirds of our Board members are independent and all members of Committees are independent.
- The Lead Independent Director has a defined mandate and each year, he reviews the performance of individual directors and of the Board as a whole.
- Mandates have been defined for the Board of Directors and its Committees, the Chairman, Committee Chairs as well as the CEO.
- The issuance of stock options to directors has been discontinued and replaced by a deferred share unit program.
- Minimum shareholding requirements for directors and senior executive officers have been introduced to better align their interests with those of our shareholders.
- The Company has adopted a Code of Ethics that establishes a high standard for ethical behavior among management and employees.
- A formal Disclosure Policy has been implemented to ensure that communications with investors and the public are timely, factual and accurate.
- The Audit Committee is required to pre-approve non-audit services performed by external auditors.
- The Audit Committee has adopted procedures for employees and third parties wishing to report a complaint or concern with respect to accounting or auditing matters.
- Disclosure of corporate governance matters has been further improved in this year's Management Proxy Circular, including fees paid to directors on an individual basis, director attendance at Board and Committee meetings and the annual Board and Director effectiveness review.

For a complete review of the Company's corporate governance practices, please refer to the Management Proxy Circular, available on our website at www.astralmedia.com.

NUMBERS THAT SPEAK FOR THEMSELVES

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIODS ENDED AUGUST 31, 2005

OCTOBER 31, 2005

TABLE OF CONTENTS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional and complementary information regarding Astral Media Inc.'s ("Astral", "Astral Media" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company's 2005 Annual Report.

Copies of these documents, the Company's Annual Information Form ("AIF"), its Management Proxy Circular dated October 31, 2005, its notice of intention to make a normal course issuer bid, as well as additional information concerning the Company can be found on the SEDAR Web site at www.sedar.com and may also be obtained upon request, without charge, to the Secretary of the Company at its executive office, 2100, rue Sainte-Catherine Ouest, bureau 1000, Montréal, Québec, H3H 2T3, telephone: (514) 939-5000. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at www.astralmedia.com.

All amounts herein are expressed in Canadian dollars. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2005.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition. When used in this document, the words "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including technological change, economic conditions, regulatory change and competitive factors, many of which are beyond the Company's control (see "Risks, Uncertainties and Opportunities" on page 62). Therefore, future events and results may vary substantially from what we currently foresee. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PROFILE

Astral Media is a leading media company in Canada, reaching people through a combination of highly targeted media properties in television, radio and outdoor advertising. The Company is the country's largest broadcaster of English- and French-language pay, pay-per-view and specialty television services and is currently involved, on its own or with partners, in 17 network licences. Astral Media is also the largest private sector investor in Canadian feature films. Astral Media Radio owns 29 radio stations, including 21 French-language FM stations in the province of Québec, that comprise three complementary networks, Énergie, RADIO RockDétente and Boom fm. It also owns 7 FM and 1 AM English-language stations in the Atlantic provinces. Astral Media Outdoor is one of Canada's most innovative outdoor advertising companies with over 3,700 faces located in the largest

markets in Québec and Ontario. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.NV.A/ACM.SV.B.

HIGHLIGHTS

- 14% increase in net earnings from continuing operations for the year [1]
- 12% increase in EBITDA[2] for the year
- 19% increase in cash flow from continuing operations [3] for the year
- Strong advertising revenue growth in all three segments for the year
- Radio asset exchange completed with Corus Entertainment Inc. ("Corus")

(1) Excludes the impact of a restatement of previously reported net earnings from continuing operations for Fiscal 2004. Please refer to "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)

(3) See "Supplementary Measures" on page 67

PERFORMANCE REVIEW

SELECTED ANNUAL FINANCIAL INFORMATION

(in thousands of $ except per-share data)	2005	2004 Restated (1)	2003 Restated (1)
Revenues	549,610	518,737	475,707
EBITDA (2)	172,616	154,536	130,069
Earnings from continuing operations before income taxes	159,156	138,658	112,942
Net earnings from continuing operations (1)	104,446	77,167	69,654
Net earnings (1)	107,595	74,184	66,201
Earnings per share from continuing operations — basic (1)	1.87	1.39	1.28
Earnings per share from continuing operations — diluted (1)	1.84	1.37	1.27
Earnings per share — basic (1)	1.93	1.33	1.22
Earnings per share — diluted	1.90	1.31	1.21
Cash and short-term deposits and investments	100,870	73,899	6,063
Long-term debt	—	—	8,756
Total assets (1)	1,378,375	1,319,518	1,227,919
Cash dividends per share (Class A and B shares)	0.20	0.15	0.15

(1) See "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)

Selected Annual Information as Previously Reported

(in thousands of $ except per-share data)	2005	2004	2003
Net earnings from continuing operations	104,446	91,513	71,289
Growth over previous year	*14%*	*28%*	*n/a*
Net earnings	107,595	88,530	67,836
Growth over previous year	*22%*	*31%*	*n/a*
Earnings per share from continuing operations — basic	1.87	1.64	1.31
Growth over previous year	*14%*	*25%*	*n/a*
Earnings per share — basic	1.93	1.59	1.25
Growth over previous year	*21%*	*27%*	*n/a*
Total assets	1,378,375	1,275,782	1,195,413

(1) See "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54

The variances over the most recent two years that are explained throughout this MD&A relate to financial results as previously reported. The variances resulting from a restatement of prior years' financial results due to the adjustment of future income taxes are explained on page 54.

The most significant variances between Fiscal 2004 and 2003 pertain to the growth of advertising revenue in all three of the Company's business units as well as the growth of subscription-related revenue, both in pay and specialty television. Fiscal 2004 included two months of additional revenues related to the radio stations acquired from Telemedia Corporation ("Telemedia") on October 28, 2002.

Earnings from continuing operations before income taxes of $138.7 million in Fiscal 2004 include interest income of $0.2 million while for Fiscal 2003 earnings from continuing operations before income taxes of $112.9 million include interest expense of $1.4 million. The Company's bank debt, related to the acquisition of radio assets from Telemedia in October, 2002, was fully reimbursed at the end of the first quarter of Fiscal 2004.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

(in thousands of $ except per-share data)	3 months 2005	3 months 2004	% Change	12 months 2005	12 months 2004 Restated (2)	% Change
Revenues	139,971	132,322	6%	549,610	518,737	6%
Operating expenses	93,535	89,520	4%	376,994	364,201	4%
EBITDA (1)	46,436	42,802	8%	172,616	154,536	12%
Depreciation and amortization	4,123	3,878	6%	15,732	16,043	-2%
Interest income, net	(702)	(173)	n/a	(2,272)	(165)	n/a
Earnings from continuing operations before income taxes	43,015	39,097	10%	159,156	138,658	15%
Income tax provision	14,706	11,360	29%	54,710	61,491	-11%
Net earnings	28,309	27,737	2%	104,446	77,167	35%
Earnings per share — basic	0.51	0.50	2%	1.87	1.39	35%

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67).*
(2) *See "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54.*

Consolidated Results from Continuing Operations as Previously Reported (1)

(in thousands of $ except per-share data)	3 months 2005	3 months 2004	% Change	12 months 2005	12 months 2004	% Change
Earnings from continuing operations before income taxes	43,015	39,097	10%	159,156	138,658	15%
Income tax provision, as previously reported (1)	14,706	11,360	29%	54,710	47,145	16%
Net earnings, as previously reported (1)	28,309	27,737	2%	104,446	91,513	14%
Earnings per share — basic, as previously reported (1)	0.51	0.50	2%	1.87	1.64	14%

(1) *See "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54*

Revenues

Television revenues are derived from subscription fees, pay-per-view sales and advertising sales. Pay-television subscription revenues tend to follow the growth trend of digital television subscribers in the same markets, while specialty television subscriber revenues generally show lower growth rates as the networks are distributed on high-penetration analog and digital tiers. Television and Radio advertising revenues are derived from advertising aired on the Company's broadcasting properties and they vary according to market conditions, the quality of programming and the effectiveness of the sales organization. Outdoor Advertising revenues are derived from the sale of advertising on the Company's inventory of outdoor panels and are influenced by the number of panels in inventory, their location and size, occupancy levels and general economic conditions.

Revenues are detailed as follows:

(in thousands of $)	3 months 2005	3 months 2004	% Change	12 months 2005	12 months 2004	% Change
Subscription related — Television	81,570	78,568	4%	316,785	311,408	2%
Advertising						
Television	15,553	13,076	19%	74,453	59,419	25%
Radio	28,423	26,679	7%	110,361	102,784	7%
Outdoor Advertising	12,347	12,090	2%	42,152	38,533	9%
Total Advertising	56,323	51,845	9%	226,966	200,736	13%
Other	2,078	1,909	9%	5,859	6,593	-11%
Total Revenues	139,971	132,322	6%	549,610	518,737	6%

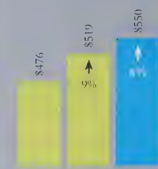
Subscription-related revenue gains were driven by subscriber growth, both in pay and specialty television. Advertising revenues also increased over those of last year in all of the Company's businesses. Strong ratings, market growth and effective sales organizations are responsible for the growth.

Operating Expenses

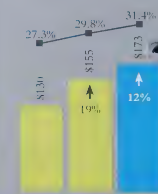
The increase of operating expenses in Fiscal 2005 is attributable to higher programming charges in Television, salary increases and other operating expenses. The Company's most significant operating expenses are television programming costs which totalled $191.3 million in Fiscal 2005 compared to $185.9 million in Fiscal 2004, and salaries and benefits which amounted to $110.1 million in Fiscal 2005 compared to $102.1 million in the prior year.

EBITDA [1]

The Company's overall EBITDA has increased due to higher advertising revenues in all segments and higher subscriber revenues in Television. The overall EBITDA margin for Fiscal 2005 increased by 5%, from 29.8% to 31.4%, while the EBITDA margin for the fourth quarter increased by 3% from 32.3% to 33.2% driven mainly by increases in revenues.



REVENUES
in millions



EBITDA [1]
EBITDA MARGIN [2]
in millions

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)
(2) See "Supplementary Measures" on page 67

EBITDA [1] by Segment

	3 months			12 months		
(in thousands of $)	2005	2004	% Change	2005	2004	% Change
Television	37,636	32,505	16%	139,253	124,104	12%
Radio	8,308	10,417	-20%	36,724	35,321	4%
Outdoor Advertising	5,367	4,378	23%	12,990	10,141	28%
Corporate	(4,875)	(4,498)	8%	(16,351)	(15,030)	9%
EBITDA [1]	46,436	42,802	8%	172,616	154,536	12%
EBITDA margin [2]	*33.2%*	*32.3%*	*3%*	*31.4%*	*29.8%*	*5%*

Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)
See "Supplementary Measures" on page 67

EBITDA by segment is reviewed in the section "Business Segment Performance" on page 56.

Interest

Interest income is shown net of expenses on the audited consolidated statements of earnings. Interest income is earned on cash reserves and short-term investments which have been accumulating since the end of the first quarter of Fiscal 2004 when the Company's bank debt was reimbursed. Interest expense includes interest paid on borrowings and stand-by fees on the Company's credit facilities. The rate of interest relating to income earned on short-term investments in Fiscal 2005 varied between 2.0% and 2.8%.

Depreciation and Amortization

Depreciation expense has decreased in Fiscal 2005 due mainly to certain property, plant and equipment that have become fully amortized in the course of the year. The amortization of deferred charges in Fiscal 2005 is essentially the same as that in Fiscal 2004.

Income Taxes

The effective income tax rate for the year of 34.4% is slightly higher than the statutory rate of 33.5% and higher than last year's statutory rate of 33.8%, which is primarily due to an increase in the non-deductible stock-based compensation expense. In the fourth quarter of Fiscal 2005, the effective income tax rate was 34.2% compared to 29.1% in the fourth quarter of Fiscal 2004, as the Company adjusted its income tax provision for Fiscal 2004 in the fourth quarter of last year to account for a reduction of the weighted average statutory rate for the year.

Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment

The comparative financial statements for the year ended August 31, 2004, as previously filed, have been restated. The restatement consists of adjustments to the previously recorded amounts of purchased broadcast licences, as well as the related future income tax liabilities and future income tax provision. The restatement has no impact on cash taxes payable by the Company regarding its ongoing business and therefore has no impact on the cash flows of the Company for the current or prior years. These adjustments relate to the application, in Fiscal 2001 and subsequent years, of the transitional provisions of CICA Handbook Section 3465 *"Income Taxes"*, the computation of future income tax liabilities on certain purchased broadcast licences, and the accounting for certain temporary differences and changes of enacted future tax rates over which the Company has no control.

The impact of these adjustments on the consolidated balance sheet as at August 31, 2004 is to increase closing retained earnings by $10.0 million and increase the August 31, 2004 future income tax liability and broadcast licence balances by $22.5 million and $32.5 million respectively. Accordingly, identifiable assets from continuing operations have been increased by $17.0 million and $15.5 million as at August 31, 2004 for the Television and Radio segments respectively.

The future income tax provision for the years ended August 31, 2004 and 2003 has been increased by $14.3 million and $1.6 million respectively, reducing previously reported net earnings from continuing operations and net earnings by these same amounts and reducing both basic earnings per share from continuing operations and basic earnings per share, as previously reported, by $0.25 for Fiscal 2004 and by $0.03 for Fiscal 2003. Opening retained earnings for the year ended August 31, 2004 have been increased by $24.3 million.

A reconciliation of net earnings from continuing operations and basic earnings per share from continuing operations as previously reported, to those results as restated, is provided below:

	3 months		12 months	
	2005	2004	2005	2004
Net earnings from continuing operations, as previously reported	28,309	27,737	104,446	91,513
Increase of income tax provision due to future income tax expense adjustment	—	—	—	(14,346)
Net earnings from continuing operations, as restated	28,309	27,737	104,446	77,167
Basic earnings per share from continuing operations, as previously reported	0.51	0.50	1.87	1.64
Impact of future income tax expense adjustment	—	—	—	(0.25)
Basic earnings per share from continuing operations, as restated	0.51	0.50	1.87	1.39

Net Earnings and Earnings per Share ("EPS") from Continuing Operations

Excluding the impact of the restatement of Fiscal 2004 financial results explained above, increases in both net earnings and EPS are due mainly to higher EBITDA and to net interest income earned following the reimbursement of the Company's acquisition-related debt at the end of the first quarter of Fiscal 2004. EPS growth on this basis is marginally lower than the growth of net earnings due to a slight increase of the average number of shares outstanding in Fiscal 2005.

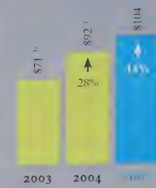
Discontinued Operations

In the fourth quarter of Fiscal 2005, the Company recorded an income tax benefit of $4.9 million related to a prior year's capital loss incurred by the Company with regards to a previously discontinued operation. Also in the fourth quarter, the Company recorded a $0.9 million reduction of its future income tax liabilities as a result of the radio asset exchange transaction with Corus. For the year, in addition to the results from the operation of its radio assets held for disposal, the Company received additional consideration of $315,000 related to the sale of its investment in Artech Digital Entertainments Inc. ("Artech") and thus recorded an equivalent gain ($275,000 net of income tax). The Company also recorded a loss of $0.2 million ($0.1 million net of income tax recovery) and a total future income tax liability reduction of $1.5 million following the closing of the radio asset exchange transaction with Corus.

In Fiscal 2004, discontinued operations included the results from its radio assets held for disposal as well as those related to its investment in Artech which was disposed of on May 18, 2004. A loss of $0.8 million (net of income tax recovery of $0.1 million) was recorded to account for the disposition of the latter.

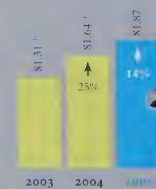
Net Earnings and EPS

Net earnings and EPS include the net earnings or loss from discontinued operations.



NET EARNINGS FROM CONTINUING OPERATIONS [1]
in millions

(1) Consists of financial results as previously reported. See "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54



EPS FROM CONTINUING OPERATIONS – BASIC [1]
in dollars

(1) Consists of financial results as previously reported. See "Restatement of Prior Years' Financial Results Due to Future Income Tax Adjustment" on page 54

Television

(in thousands of $)	3 months 2005	3 months 2004	% Change	12 months 2005	12 months 2004	% Change
Revenues	99,201	93,553	6%	397,097	377,420	5%
Operating expenses	61,565	61,048	1%	257,844	253,316	2%
EBITDA[1]	37,636	32,505	16%	139,253	124,104	12%
EBITDA margin[2]	*37.9%*	*34.7%*	*9%*	*35.1%*	*32.9%*	*7%*

[1] *Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)*

[2] *See "Supplementary Measures" on page 67*

PAY-TV SUBSCRIBERS (M & S)
in thousands

MARKET SHARE – FRENCH SPECIALTY NETWORKS

25-54 Age Category, YTD Average

* New measure adopted for FY2005, Portable People Meter ("PPM").

The Television segment again performed strongly in Fiscal 2005 due to the growth of advertising sales and increases in the number of pay and specialty television subscribers which generated commensurate revenue gains, both for the quarter and for the year. These increases resulted from the continuing expansion of digital distribution services, high quality and exclusive programming, and strong brand recognition.

Pay television revenues (The Movie Network ("M"), Super Écran ("S") and Mpix) increased by 1% for the year despite a 5% increase in the number of subscribers due to one-time favorable adjustments recorded in Fiscal 2004. The pay television subscriber penetration rate averaged 45% of the overall digital base at the end of Fiscal 2005 compared to 51% in Fiscal 2004, as the business is gaining maturity. The Movie Network ranked number one amongst Canadian pay and specialty services in Eastern Canada in the 18-34 age category, the key demographic, while its French-language counterpart, Super Écran, was number one amongst all pay and specialty services in Québec for audiences aged 2+.

Overall revenues from specialty television networks rose by 10% for the quarter and 9% for the year, driven by strong advertising sales growth and an increase in the number of subscribers. Advertising revenues grew 19% for the quarter and 25% for the year while subscriber revenue growth was 4% for the quarter and 2% for the twelve-month period. Astral's television advertising revenues continue to benefit from the migration of advertising dollars from conventional to specialty networks. In Fiscal 2005, the Canadian specialty television advertising market grew an estimated 10% while the overall Québec French television advertising market grew by 4%. Astral's favourable performance compared to the markets is mainly owing to targeted (made-to-measure) original programming, strong ratings, focused sales strategies and optimal inventory management. The Company's television advertising revenues in Fiscal 2005 accounted for 19% of the total Television revenues compared to 16% a year earlier.

Overall Television operating expenses were higher than those of last year due mainly to higher programming costs. These costs vary according to the number of subscribers and to Canadian content ("Cancon") spending requirements which are calculated as a percentage of the prior year's revenues. Programming costs have risen in accordance with the higher number of subscribers to the Company's pay networks and increased advertising and subscription revenues generated by its specialty networks.

The Television EBITDA margin for the year has increased as a result of higher advertising and subscriber revenues and effective cost containment measures implemented to mitigate the impact of additional programming spending requirements.

Radio

(in thousands of $)	3 months			12 months		
	2005	2004	% Change	2005	2004	% Change
Revenues	28,423	26,679	7%	110,361	102,784	7%
Operating expenses before undernoted adjustment	17,195	16,262	6%	70,717	67,463	5%
EBITDA[(1)] before undernoted adjustment	11,228	10,417	8%	39,644	35,321	12%
EBITDA margin[(2)] before undernoted adjustment	*39.5%*	*39.0%*	*1%*	*35.9%*	*34.4%*	*4%*
Retroactive increase of music royalty fees	2,920	—	n/a	2,920	—	n/a
EBITDA[(1)]	8,308	10,417	-20%	36,724	35,321	4%
EBITDA margin[(2)]	*29.2%*	*39.0%*	*-25%*	*33.3%*	*34.4%*	*-3%*

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67).*
(2) *See "Supplementary Measures" on page 67.*

The Radio group also had a successful year in Fiscal 2005 as a result of increased advertising sales and effective operating cost management. Popular content and strong branding of Astral's Énergie FM network have helped increase its revenues. Astral's RADIO RockDétente FM network remains a top performer in its markets in terms of ratings and revenues but is seeing increased competition in its target audience. Astral's radio stations in the province of Québec recorded a revenue increase of 6% in Fiscal 2005 while the overall Québec radio market increased by approximately 5% for the year. Finally, Astral's stations in the Atlantic provinces also showed improved performance in Fiscal 2005, with a revenue increase of 10%.

Radio's operating expenses for the fourth quarter were higher than last year's as a result of the integration of five FM radio stations obtained from Corus at the end of the third quarter of Fiscal 2005, a charge of $2.9 million to account for retroactive music royalty rate increases, as explained below, and other timing factors. For the year, total operating expenses were $6.2 million higher due to variable cost increases related to revenue growth, the impact of the integration of the stations obtained from Corus and the $2.9 million music royalty charge. Operating expenses were otherwise stable.

On October 14, 2005, the Copyright Board of Canada issued a decision setting the amount of royalties that commercial radio stations are required to pay for the use of music. The decision provides for higher than anticipated increases of approximately 30% in the amount of fees payable under two separate tariffs (Society of Composers, Authors, and Music Publishers of Canada ("SOCAN") and the Neighbouring Rights Collective of Canada ("NRCC")) and is retroactive to January 1, 2003. As a result, Astral Media Radio has recorded a charge of $2.9 million in the fourth quarter in order to fully provide for the rate increases, which is in addition to previously accrued charges. The new rates translate to a royalty cost increase for the Radio group of approximately $1.5 million on an annualized basis.

Astral Media Radio's EBITDA margin is amongst the highest in the industry. Excluding the impact of the Copyright Board's tariff decision issued subsequent to year-end, the Radio group's EBITDA margin reached 35.9% for Fiscal 2005 compared to 34.4% in Fiscal 2004. The $2.9 million music royalty charge in the fourth quarter caused the EBITDA margin to decrease to 33.3% for the year. Statistics compiled and published by the Canadian Radio-television and Telecommunications Commission ("CRTC") for Fiscal 2004 show an average EBITDA margin for the FM radio market of 22.6% in the province of Québec and 27.1% for Canada before giving consideration to the increase in royalty fees.

Outdoor Advertising

(in thousands of $)	3 months 2005	2004	% Change	12 months 2005	2004	% Change
Revenues	12,347	12,090	2%	42,152	38,533	9%
Operating expenses	6,980	7,712	-9%	29,162	28,392	3%
EBITDA[1]	5,367	4,378	23%	12,990	10,141	28%
EBITDA MARGIN[2]	*43.5%*	*36.2%*	*20%*	*30.8%*	*26.3%*	*17%*

Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)
See "Supplementary Measures" on page 67

Astral Media Outdoor ("Outdoor") successfully gained momentum throughout Fiscal 2005, posting increased revenues of 9% for the year, despite intense competition in the industry. Growth was mainly attributable to approximately 100 new advertising panels added to inventory in the Montréal and Toronto markets and to the improved performance in the Montréal market which saw increases in both pricing and occupancy levels. Through prudent and highly focused expansion in prime locations, Astral Media Outdoor has been able to strengthen its position in both markets. At year-end, its expanding network comprised over 3,700 advertising faces.

In the fourth quarter, Outdoor's revenue growth is explained by the availability of new panels and stronger demand for outdoor advertising as compared to last year. The decrease of operating expenses in the fourth quarter is explained mainly by costs incurred in Fiscal 2004 related to an asset exchange transaction. Increases in rental costs for renewed leases have stabilized and did not have a significant impact on operating expenses. The increase of EBITDA is mainly attributable to the increase in revenues.

Corporate EBITDA

(in thousands of $)	3 months 2005	2004	% Change	12 months 2005	2004	% Change
Corporate costs	(4,109)	(3,426)	20%	(13,748)	(13,513)	2%
One-time restructuring costs	—	(700)	n/a	—	(700)	n/a
Stock-based compensation	(766)	(372)	n/a	(2,603)	(817)	n/a
Corporate ebit da[1]	(4,875)	(4,498)	8%	(16,351)	(15,030)	9%

Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures" on page 67)

Total Corporate EBITDA charges increased by $0.4 million in the fourth quarter of Fiscal 2005 and increased by $1.3 million for the year compared to the same periods last year. Of these amounts, $0.4 million for the fourth quarter and $1.8 million for the year are attributable to higher non-cash expenses resulting from the accounting for stock-based compensation costs. In the fourth quarter, the increase of corporate costs before one-time restructuring costs and stock-based compensation is due to timing factors.

QUARTERLY PERFORMANCE

As indicated in the chart below, approximately 60% of the Company's revenues are subscriber based and as such, do not vary significantly on a quarter-to-quarter basis. Advertising revenues on the other hand, tend to follow seasonal patterns with the second quarter being the least favorable.

Operating expenses are generally stable on a quarter-to-quarter basis as they tend to be incurred evenly over the year. The resulting quarterly EBITDA margins will therefore tend to vary on the basis of advertising revenue fluctuations.

Quarterly performance should therefore be interpreted taking the above factors into consideration.

QUARTERLY REVENUES
in thousands

The following table highlights the Company's quarterly performance for the past two years:

[illegible]	2005 Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Revenues	139,958	125,730	143,951	139,971	549,610
EBITDA	42,474	34,432	49,274	46,436	172,616
Net earnings from continuing operations	25,576	20,373	30,188	28,309	104,446
EPS from continuing operations — basic	0.46	0.36	0.54	0.51	1.87
EPS from continuing operations — diluted	0.45	0.36	0.53	0.50	1.84
Net earnings	25,220	19,438	29,623	33,314	107,595
EPS — basic	0.45	0.35	0.53	0.60	1.93
EPS — diluted	0.44	0.34	0.52	0.59	1.90

(in thousands of $ except per-share data)	2004 Quarter 1 [1]	Quarter 2	Quarter 3	Quarter 4	Total [1]
Revenues	128,148	118,383	139,884	132,322	518,737
EBITDA	36,564	31,026	44,144	42,802	154,536
Net earnings from continuing operations	6,547	17,356	25,527	27,737	77,167
EPS from continuing operations — basic	0.13	0.31	0.46	0.50	1.39
EPS from continuing operations — diluted	0.12	0.31	0.45	0.49	1.37
Net earnings	6,359	16,143	24,480	27,202	74,184
EPS — basic	0.12	0.29	0.44	0.49	1.33
EPS — diluted	0.12	0.29	0.43	0.48	1.31

[1] *Restated. See "Restatement of Prior Years' Financial Results due to Future Income Tax Adjustment" on page 54.*

CASH FLOWS AND LIQUIDITIES

(in thousands of $)	3 months 2005	3 months 2004	% Change	12 months 2005	12 months 2004	% Change
Cash flow from continuing operations [1]	40,406	34,928	16%	130,934	110,124	19%
Capital expenditures						
Television	1,992	973	n/a	4,977	4,387	13%
Radio	2,316	1,451	60%	5,726	3,901	47%
Outdoor	1,428	980	46%	4,240	2,805	51%
Corporate	199	2,025	n/a	925	3,186	-71%
Total capital expenditures	5,935	5,429	9%	15,868	14,279	11%

[1] *See "Supplementary Measures" on page 67*

The increases in **cash flow from continuing operations** are attributable to increased earnings from operations, and the Company expects this trend to continue in Fiscal 2006.

The most significant **capital expenditures** pertain to computer hardware and software, broadcasting and other equipment and outdoor advertising structures, as well as the addition of assets pertaining to five FM radio stations obtained from Corus (see "Asset Exchange Transactions" on page 61) and the acquisition of airport electronic panels from Passeport Média (see "Business Acquisition" on page 61). Capital spending in Fiscal 2006 is estimated at $17.6 million, mainly for the same types of assets and for broadcast equipment requirements for the launch of a new French-language digital pay network, cinépop.

The Company's strong cash flow from continuing operations enabled it to increase its **cash and short-term deposits and investments** balances to $100.9 million as at August 31, 2005 from $73.9 million at the end of the prior year, after using $55.9 million to repurchase some of the Company's Class A non-voting shares under a normal course issuer bid. Cash is expected to further accumulate in the next fiscal year providing sufficient liquidities to cover the Company's known operating requirements. In addition, the Company has access to credit facilities of $29.2 million which are renewable annually, in order to meet its current operating requirements. The Company is able to obtain additional resources to finance business acquisitions which support its growth strategy.

FINANCIAL CONDITION

On December 8, 2004, the Company announced a 33% increase of its annual dividend payment from 15 cents to 20 cents per share, representing an additional annual cash outflow of approximately $2.8 million per year. The Company also announced the launch of a normal course issuer bid through the facilities of the Toronto Stock Exchange to repurchase up to 5% of its Class A non-voting shares ("Class A shares") and Class B subordinate voting shares ("Class B shares") over a 12-month period, beginning December 13, 2004. This could represent a cash outflow of up to $80 million to $90 million over the course of the bid, which the Company will fund with its existing cash reserves. During the twelve-month period ended August 31, 2005, the Company repurchased and cancelled 1,761,500 Class A shares under the normal course issuer bid for a total cash consideration of $55.9 million.

The Company's financial condition is amongst the strongest in the industry. No bank debt was carried throughout Fiscal 2005 and cash flows from continuing operations generate sufficient liquidities to cover the Company's current and longer term commitments, as well as operating and capital requirements.

CAPITAL STRUCTURE

As at August 31, 2005, the Company's capital structure consists exclusively of shareholders' equity. There is no debt on the Company's balance sheet other than operating liabilities and there are no off-balance sheet liabilities.

Capital stock decreased from a total of 56.0 million shares at the end of Fiscal 2004 to 55.0 million at the end of Fiscal 2005 due to the repurchase of shares under the normal course issuer bid, partly offset by the exercise of employee stock options.

CHANGES IN FINANCIAL POSITION

The following table outlines significant changes in the carrying values on the Company's balance sheet as at August 31, 2005 as compared to the prior year:

(in thousands of $)	Increase/ (Decrease)	Explanation
Cash and short-term deposits and investments	26,971	Explained in "Cash Flows and Liquidities" (page 60).
Accounts receivable and other current assets	12,147	Increased due to additional revenues and timing issues.
Program and film rights, net	12,006	Increased spending requirements and differences in the timing of broadcast windows.
Broadcast licences	12,210	Radio assets obtained from Corus.
Non-current assets held for disposal	(9,229)	Radio assets transferred to Corus.
Other non-current liabilities (excluding long-term portion of program and film rights payable)	(3,169)	Reflects the payment of amounts payable as a result of licence conditions imposed by the CRTC upon the acquisition of certain broadcast licences.
Non-current liabilities held for disposal	(3,063)	Radio assets transferred to Corus.

CONTRACTUAL OBLIGATIONS

	Payments due in:				
(in thousands of $)	Less than one year	1-3 years	4-5 years	After 5 years	Total
Operating leases	27,453	48,500	32,751	43,084	151,788
Other long-term obligations	—	24,467	994	5,430	30,891
Total	27,453	72,967	33,745	48,514	182,679

BUSINESS DEVELOPMENTS

BUSINESS ACQUISITION

On May 17, 2005, Outdoor added to its airport signage inventory with the acquisition of 23 electronic panels in Montréal and Calgary from Passeport Média at a cost of $1.8 million.

ASSET EXCHANGE TRANSACTIONS

On May 29, 2005, the Company closed the transaction with Corus regarding a previously announced radio asset exchange agreement. The transaction is described in note 3 of the audited consolidated financial statements.

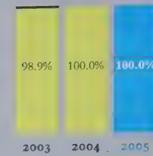
On October 1, 2004, Astral concluded an agreement to exchange Outdoor's assets in Alberta and British Columbia for a number of advertising structures in Toronto. The assets exchanged were valued at $3.0 million. No gain or loss was recorded on this non-monetary transaction.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL

The activities or transactions treated as discontinued operations and related financial results are presented in note 4 of the audited consolidated financial statements.

EVENTS SUBSEQUENT TO YEAR-END

On September 12, 2005, an appeal filed by Astral and CHUM Limited ("CHUM") along with a group of broadcasters regarding two recent CRTC decisions on satellite radio was rejected by the federal cabinet. The appellants argued that the CRTC decisions were inconsistent with Canadian broadcasting policy. On September 30, 2005, Astral and CHUM requested changes to their subscription digital radio licence awarded in June 2005. The request asked that their licence be amended to allow commercials, more channels, additional foreign content and more programming that has previously been aired on conventional radio. Astral and CHUM do not have the intention of pursuing this project on the basis of existing licence conditions. The Company does



CAPITAL STRUCTURE

Long-term financial liabilities

Shareholders' equity

not expect that the two recently licensed subscription satellite radio undertakings will have a significant adverse impact on its conventional radio operations.

On October 14, 2005, the Copyright Board of Canada issued a decision setting the amount of royalties that commercial radio stations are required to pay for the use of music. The decision is retroactive to January 1, 2003 and its impact on the Company's financial results is described under "Business Segment Performance – Radio" on page 57.

STRATEGIC INITIATIVES AND OUTLOOK

The Company is involved in a dynamic industry that continues to offer both opportunities and challenges. As the regulatory, technological and economic environments change, the Company has the opportunity to grow organically and to expand through the launching of new services and through acquisitions. At the same time, the Company is facing increased competition and economic pressures in all its businesses. Nevertheless, the fundamental factors underlying the Company's business remain positive.

The Television segment is looking forward to an increase in earnings in Fiscal 2006 principally generated by increasing advertising revenues and by the growth of its subscriber bases, both resulting from the popularity and strong ratings of its networks. The pay television networks will continue to offer exclusive top-rated programming such as HBO's famous series *The Sopranos, Rome* and *Curb your Enthusiasm* to name a few. Also, Astral's ongoing commitment to audience research means that it will continue to deliver made-to-measure programming on its specialty networks in Fiscal 2006. At the same time, investment in technologies such as subscription-video-on-demand ("SVOD") and high-definition television ("HDTV") will provide added value to viewers and help attract and retain subscribers to its networks. The Company is also expecting to launch a new French-language digital pay service, cinépop, in Fiscal 2006. The new network is expected to incur operating losses in the early years following its launch, the amount of which cannot be estimated at this time, but is not expected to be material.

The Radio group expects to grow its earnings in Fiscal 2006 through advertising sales growth derived from strong ratings and popular programming, and through productivity gains. In Fiscal 2006, the Company will face increasing competition in the province of Québec and a changing competitive landscape in the Atlantic provinces, but the impact of these factors is expected to be mitigated by the benefits derived from the Radio group's high quality programming and its growing audience levels. Following the closing of the radio asset exchange with Corus, the Radio group is finalizing the integration of five additional FM stations into its three existing networks in Québec.

Outdoor will focus on the following activities that are expected to have a favourable impact on revenue and earnings in Fiscal 2006: strategic and disciplined inventory management, excellent client service and product innovation for which Outdoor is known. Astral's creativity and ownership of some of the industry's most innovative structures will remain its key differentiation points for the coming year.

Corporate expenses are generally expected to be stable in Fiscal 2006 with the exception of the stock-based compensation expense which will increase by approximately $2.4 million to a total of approximately $5.0 million.

Following the dividend increase and normal course issuer bid announced in December 2004, the Company intends to again review its cash usage strategies in Fiscal 2006.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Company faces a number of risks and uncertainties which in many cases also represent opportunities for its businesses. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations. If any such risks materialize, the Company's business, financial condition and operating results could be materially adversely affected.

REGULATED ENVIRONMENT

The Company's Television and Radio broadcasting undertakings are regulated by the CRTC. While this regulated framework provides some stability to the operating environment, it could also change at any time. The impact on Television and Radio operations of any possible changes to broadcast policy and regulations or changes in the interpretation of existing regulations by courts or regulators cannot be determined.

Astral's specialty television and radio operations rely upon licenses granted under the *Copyright Act* (Canada) in order to make use of music components

of the programming distributed by these undertakings. Under these licenses, Astral is required to pay royalties established by the Copyright Board of Canada. The various levels of royalties payable by the Company are subject to change and any such amendments could result in Astral's broadcasting undertakings being required to pay additional royalties under these licenses.

The Company's Outdoor Advertising business is also subject to various government regulations which establish the rights, terms and conditions under which it is entitled to erect its advertising structures. Changes to such regulations may inhibit the Company's ability to build new structures on specific sites in the future.

Management consistently monitors the regulatory environment to identify risks and opportunities resulting from any changes.

NEW TECHNOLOGIES

Technologies are constantly changing and may have an impact on the Company's operating environment. Recent technological changes include:

- The deployment of video-on-demand ("VOD") services by cable companies which creates additional competition for the Company's pay-per-view services but also promotes the rollout of digital set-top boxes that stimulate the growth of the Company's pay-TV subscriber base and demand for its SVOD offerings.

- The deployment of personal video recorders ("PVRs") which could influence the Company's ability to generate advertising revenues as viewers are provided with the opportunity to ignore advertising aired on its television networks.

- The advent of high-definition television ("HDTV") which will require the Company's networks to increasingly offer programming in the high-definition ("HD") format to satisfy the needs of its audiences.

- Although it is still too early to determine its impact, the emergence of subscriber-based satellite and digital radio services can change audience listening habits while providing a growth opportunity to the industry.

The Company has generally shown itself to be a leader in its businesses rather than reacting to developments by others and it attempts to distinguish itself from its competitors by leveraging new technologies. Consequently, a significant portion of its capital expenditures is aimed at constantly improving the Company's technological capabilities and infrastructures.

CUSTOMERS AND DISTRIBUTORS

The Television group is dependent on broadcasting distribution undertakings ("BDUs") (including cable, satellite services ("DTH") and multichannel multipoint distribution systems ("MMDS")) for distribution of its television services. There could be a negative impact on revenues if distribution affiliation agreements with BDUs were not renewed on terms and conditions similar to those currently in effect. Affiliation agreements with BDUs have multi-year terms that expire at various points in time. The Company maintains strong relationships with all its distributors and is confident it can renew its agreements on mutually satisfactory terms and conditions, as has been the case historically.

The majority of the subscriber base for the Company's Television networks is reached through a small number of very significant customers, mainly the BDUs. There is always a risk that the loss of an important relationship would have a significant impact on any particular business unit. To alleviate this risk, the Company enters into long-term contracts with its customers. Furthermore, the Company has developed a broad selection of popular pay and specialty networks that deliver quality programming. Astral's networks have thus become key and highly demanded components of the offerings of all BDUs in the markets they serve.

REVENUES

Subscription revenues are dependent on the number of subscribers and the wholesale rate billed by the Company to BDUs for carriage of the individual networks. The extent to which the Company's subscriber bases will grow is uncertain and is dependent upon the ability of BDUs to deploy and expand their digital technologies, their marketing efforts and the packaging of their networks' offerings as well as upon the willingness of subscribers to adopt and pay for the services. By consistently providing a high quality program offering that caters to the needs of its various audiences, the Company is confident in its ability to increase its subscriber bases in the future.

Advertising revenues are subject to fluctuations as a result of changes in the economic environment, the marketplace, new technologies and viewership

levels. The Company's business units constantly monitor changes in their respective markets and operating environments and adapt their sales strategies and content offerings in order to minimize any adverse effect that the changes may cause.

The Company's television broadcast signals are subject to theft and as a result, potential revenue loss. An increase in the number of illegal receivers in Canadian homes could have an adverse effect on the Company's existing revenues and inhibit its capacity to grow. Legal, regulatory, promotional as well as technical measures have been taken, in partnership with BDUs and other industry players, in order to fight signal theft. The Company believes these steps will help curtail signal theft and minimize any possible erosion of its subscriber bases.

COMPETITION

The CRTC from time to time issues new licences for a variety of services. Competitive licences granted to other licensees increase the competition for viewers, listeners, programming and advertising dollars.

The CRTC held hearings in October 2005 regarding five general-purpose digital pay-TV applications. The granting of a licence by the CRTC to any of the applicants will create additional competition for the Company's pay-TV services. It is expected that the CRTC will render its decisions regarding these applications in the second half of Fiscal 2006. The Company cannot estimate the potential impact on its financial results of any new entry in the marketplace until the decisions are published and their contents reviewed.

Although a number of new digital specialty television network licences were launched in recent years, the Company was able to limit the impact of the competition by delivering strong programming and strengthening its brands. New radio licences are granted from time to time in the Company's markets but the Company plans to compete with a similar strategy of providing high quality content and strong brands. The Company also seeks opportunities to obtain new licences and expand its business.

The Company also faces the emergence of new indirect and unregulated competitors (mobile TV, TV over IP, iPod, and other Internet content). It is not expected that these competitors will have a significant impact on the Company's services over the next few years.

Quality programming is a key factor driving the success of the Company's television and radio services. Increasing competition for popular quality programming can cause prohibitive cost increases that may prevent the Company from renewing supply agreements for specific popular programs or contracts for on-air personalities. The Company maintains strong relationships with studios, producers and performers and constantly monitors its markets and audiences to clearly define their needs in order to maintain the overall quality of its program offerings and deliver content that sustains the popularity of its services.

ECONOMIC CONDITIONS

The Company's revenues and operating results are and will continue to be influenced by prevailing general economic conditions. In the event of a general economic downturn or a recession, purchasers of the Company's advertising inventories may reduce their advertising budgets. In the event of such an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected. This risk is mitigated by the fact that approximately 60% of the Company's revenues are subscriber-based. These are significantly more stable in an uncertain economic environment.

ACCOUNTING MATTERS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are presented in note 1 of the audited consolidated financial statements.

NEW ACCOUNTING POLICIES

The Company's accounting policies were unchanged in Fiscal 2005 except for the implementation of the CICA's recommendations on *Asset Retirement Obligations* and *Consolidation of Variable Interest Entities* ("VIEs"). The accounting policy for *Asset Retirement Obligations* is described in note 1.c) of the audited consolidated financial statements. For Astral, the impact is limited to the Outdoor segment where the Company has several leases under which it is obligated to remove its structures from the property at the end of the lease term. The effect on the Outdoor segment is an additional operating expense of $98,000 per year and additional depreciation of $123,000 per year going forward. Since these amounts are not significant, the Company has decided to apply them as of Fiscal 2005 and did not restate the prior year's figures.

On December 1, 2004, the Company adopted the CICA's recommendations on VIEs, as described in note 1.d) of the audited consolidated financial statements. These recommendations provide a new framework for identifying VIEs and determining when a company should include the assets, liabilities and results of operations of VIEs in its consolidated financial statements. The Company has determined that it did not have any VIEs in Fiscal 2005 and therefore the adoption of these new recommendations had no impact on the Company's financial position and results of operations for the year.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Ontario Securities Commission defines critical accounting estimates as those that require assumptions to be made about matters that are highly uncertain at the time the estimates are determined, and when the use of different reasonable estimates or changes to the accounting estimates would have a material impact on a company's financial condition or results of operations. Based on this definition, the Company has identified the following critical accounting estimates:

Goodwill and Broadcast Licences

Goodwill and broadcast licences are not amortized but tested annually for impairment or more frequently if events or circumstances indicate that they might be impaired. The Company compares a reporting unit's carrying value (including any goodwill or broadcast licences) to its fair value calculated on the basis of assumptions and estimates relating to the reporting unit's future financial performance. The Company has concluded that no provision for impairment is required on the basis of its latest impairment tests. However, if the assumptions and estimates used in performing these tests prove to be inaccurate, an impairment provision could be required in the future.

Impairment of Long-lived Assets

The Company tests the recoverability of long-lived assets regularly or more frequently when events or circumstances indicate that their carrying amounts may not be recoverable. Long-lived assets primarily include the Company's property, plant and equipment. An impairment loss is recognized when the carrying value of a long-lived asset exceeds the undiscounted future cash flows expected from its use and eventual disposition. While the Company believes that no provision for impairment is required, if the assumptions and estimates used in performing these tests prove to be inaccurate, an impairment loss would have to be charged to future results.

Employee Future Benefits

The Company maintains a voluntary defined benefit plan for its employees and ensures that contributions are sustained at a level sufficient to cover benefits. Key assumptions include the discount rate, the expected long-term rate of return on plan assets and the rate of salary escalation, all of which are disclosed in note 18 of the audited consolidated financial statements.

The discount rate assumption used to calculate the present value of the plans' projected benefit payments was determined using a measurement date of June 30, 2005 and based on yields of long-term high-quality fixed income investments. The expected long-term rate of return on pension plan assets was obtained by calculating a weighted average rate based on targeted asset allocations of the plans. The expected returns of each asset class are based on a combination of historical performance analysis and forward-looking views of the financial markets. The targeted asset allocation of the plans is generally 60% for equity and 40% for fixed income securities. The rate of salary escalation is used to project current plan earnings in order to estimate pension benefits at future dates. This assumption was determined on the basis of market data obtained from independent sources. The Company believes that the assumptions are reasonable based on information currently available, but changes to these assumptions could impact pension benefit expenses and obligations recognized in future periods.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to provide for estimated potential losses that would result from amounts not recovered from customers. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer credit worthiness, and historical collection experience.

Income Taxes

Future income tax assets and liabilities are measured using income tax rates and regulations that are expected to apply upon realization or settlement. They are also determined on the basis of management's best estimates of the period over which they will be realized or settled. Future income tax assets

are recognized to the extent that the realization of asset benefits is considered more likely than not. In the event that the actual outcome differs from management's assumptions and estimates, the carrying amounts may be adjusted. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies.

Accrued Liabilities and Contingencies

Accrued liabilities for integration costs, supplier audits, retroactive regulatory rulings, legal issues and other contingencies are established on the basis of management's best estimate of the probable outcome and resolution of these matters.

While management believes that these accrued liabilities are adequate, the use of different assumptions or estimates could have a significant impact on the Company's results of operations and financial condition.

Stock-based Compensation

The assumptions used to determine the stock-based compensation expense are presented in note 13.d) of the audited consolidated financial statements. They were determined on the basis of available comparable market data and historical data. The Company believes that the assumptions are reasonable based on information currently available, but changes to these assumptions could impact the stock-based compensation expense in future periods.

RECENT ACCOUNTING PRONOUNCEMENTS

Non-monetary Transactions

In June 2005, the CICA issued Handbook Section 3831, *Non-Monetary Transactions,* which establishes that all non-monetary transactions be measured at their fair value unless, generally, they lack commercial substance or their fair value is not reliably measurable.

This new Section is effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006. The extent of the impact on the Company will depend on the extent and nature of future non-monetary transactions.

Subsequent Events

In March 2004, the CICA issued an exposure draft regarding amendments to Section 3820, *Subsequent Events.* This exposure draft proposes several significant enhancements such as:

- The extension of the period within which subsequent events are required to be considered for disclosure, to include events that occur between the date of the balance sheet and the date of the approval of the financial statements (currently, the Section requires consideration to the date of completion of the financial statements);
- The disclosure of the date of approval of the financial statements and of the parties giving such approval; and
- The requirement to update disclosures made for adjusting the impact of subsequent events in light of new information received.

The proposed revised Section is expected to be issued during the 2005 calendar year and would be effective for interim and annual periods ending on or after June 30, 2006 and will be adopted by the Company as of that date.

Changes in Accounting Policies and Estimates, and Errors

In September 2003, the CICA issued an exposure draft in order to replace the existing Section 1506, *Accounting Changes.* This exposure draft proposes the following key changes:

- An entity would be permitted to change an accounting policy only when it is required by a primary source of GAAP, or when the change results in a more reliable and relevant presentation in the financial statements;
- Changes in accounting policies would be applied retroactively except when otherwise specified by transitional provisions in a primary source of GAAP; and
- Expanded disclosure would be required.

The proposed revised Section is expected to be issued during the 2005 calendar year.

INTER-COMPANY AND RELATED PARTY TRANSACTIONS

Inter-company and related-party transactions and balances between companies and divisions owned by the Company are eliminated upon consolidation. There are no other material related party transactions to report.

SUPPLEMENTARY MEASURES

In addition to discussing earnings measures in accordance with GAAP, this MD&A provides earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a supplementary earnings measure. Other items such as the results from discontinued operations are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. EBITDA is provided to assist investors in determining the ability of the Company to generate cash from continuing operations and to cover financial charges. It is also widely used for valuation purposes. EBITDA margin is defined as the ratio obtained by dividing EBITDA by revenues.

This MD&A also discloses cash flow from continuing operations as a supplementary measure. Cash flow from continuing operations is defined as cash flow from continuing operating activities before the net change in non-cash operating items. This measure provides an indication of the Company's ability to generate cash flows without considering timing and other factors causing variations in non-cash items.

The above measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

ADDITIONAL SHARE INFORMATION

Outstanding as at	September 29, 2005	August 31, 2005	August 31, 2004
Class A non-voting shares	51,755,837	51,714,927	52,736,841
Class B subordinate voting shares	3,240,622	3,240,622	3,252,522
Special shares	65,000	65,000	65,000
Employee stock options	3,288,804	3,329,714	3,964,440
Restricted share units	205,219	205,219	110,398

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and its Senior Vice-President and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee ("DC") which is composed of Senior Managers of the Company. The DC requires that it be fully apprised of any material information affecting the Company so that it may evaluate and discuss this information and determine the appropriateness and timing of public release.

The Chief Executive Officer and the Senior Vice-President and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at August 31, 2005, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements of Astral Media Inc. and all the information in this annual report are the responsibility of management.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through the Audit Committee which consists of four independent directors who are appointed by the Board and are also unrelated to the Company. The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the consolidated financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Audit Committee.

On behalf of the shareholders, the consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. Their opinion is presented hereafter.

Ian Greenberg
President
and Chief Executive Officer

Claude Gagnon, CA
Senior Vice-President
and Chief Financial Officer

Montréal (Québec)
October 7, 2005

AUDITORS' REPORT

To the Shareholders of Astral Media Inc.

We have audited the consolidated balance sheets of Astral Media Inc. as at August 31, 2005 and 2004 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

ERNST & YOUNG LLP
Chartered Accountants

Montréal (Québec)
October 7, 2005

CONSOLIDATED BALANCE SHEETS

As at August 31 (in thousands of Canadian dollars)			Notes	2005	2004 (Restated – see note 2)
Assets	**Current**				
		Cash and short-term deposits	16	$ 18,103	$ 512
		Short-term investments	6	82,767	73,387
		Accounts receivable		93,425	79,608
		Program and film rights		64,365	54,116
		Prepaid expenses and other current assets		14,558	16,228
		Current portion of future income taxes	15	—	4,104
				273,218	227,955
	Program and film rights			40,124	35,646
	Other non-current assets		7	9,318	7,296
	Property, plant and equipment		8	74,002	72,128
	Broadcast licences		9	883,304	871,094
	Goodwill			86,240	86,240
	Future income taxes		15	12,169	9,930
	Non-current assets held for disposal		4	—	9,229
				$1,378,375	$1,319,518
Liabilities	**Current**				
		Accounts payable and accrued liabilities		$ 91,087	$ 86,271
		Income taxes payable		14,912	18,537
		Program and film rights payable		56,675	58,179
				162,674	162,987
	Future income taxes		15	257,849	252,230
	Other non-current liabilities		11	30,891	29,835
	Non-current liabilities of discontinued operations		12	4,572	5,890
	Non-current liabilities held for disposal		4	—	3,063
Shareholders' Equity	**Capital stock**		13	576,419	580,784
	Contributed surplus		13	3,420	817
	Retained earnings			342,550	283,912
				922,389	865,513
				$1,378,375	$1,319,518

See accompanying notes.

On behalf of the Board:

Ian Greenberg
Administrator

André Bureau
Administrator

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended August 31 [illegible]	Notes	2005	2004 (Restated – see note 2)
Revenues		$549,610	$518,737
Operating expenses		376,994	364,201
		172,616	154,536
Depreciation		14,551	14,864
Amortization of deferred charges		1,181	1,179
Interest income, net	14	(2,272)	(165)
Earnings from continuing operations before income taxes		159,156	138,658
Income tax provision	15	54,710	61,491
Net earnings from continuing operations		104,446	77,167
Net earnings (loss) from discontinued operations	4	3,149	(2,983)
Net earnings		$107,595	$ 74,184
Earnings per share from continuing operations	13		
- Basic		$1.87	$1.39
- Diluted		$1.84	$1.37
Earnings per share			
- Basic		$1.93	$1.33
- Diluted		$1.90	$1.31
Retained earnings — beginning of year, as previously reported		$273,959	$193,796
Restatement due to future income tax adjustment	2	9,953	24,299
Impact of adoption of a new accounting policy	1.c)	(1,391)	—
Retained earnings — beginning of year, as restated		$282,521	$218,095
Net earnings, as previously reported		107,595	88,530
Restatement due to future income tax expense adjustment	2	—	(14,346)
Net earnings, as restated		107,595	74,184
Dividends paid		(11,160)	(8,367)
Shares repurchased — excess of purchase price over carrying value	13	(36,406)	—
Retained earnings — end of year		$342,550	$283,912

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31 *(in thousands of Canadian dollars)*		Notes	2005	2004 *(Restated – see note 2)*
Cash provided by (used for):		1		
Operations	Net earnings from continuing operations		$104,446	$77,167
	Non-cash charges (credits):			
	Depreciation and amortization		15,732	16,043
	Stock-based compensation and other		2,701	817
	Future income taxes	15	8,055	16,097
			130,934	110,124
	Net change in non-cash operating items	16	(31,244)	(19,500)
	Cash flow from continuing operating activities		99,690	90,624
Discontinued Operations		4	(3,760)	(2,863)
Investing	Short-term investments — purchased		(124,503)	(73,387)
	Short-term investments — sold		115,123	—
	Additions to property, plant and equipment		(15,868)	(14,279)
	Addition to broadcast licences	3, 16	(1,160)	—
			(26,408)	(87,666)
Financing	Repayment of long-term debt		—	(8,756)
	Shares repurchased	13	(55,870)	—
	Stock options exercised	13	15,099	11,477
	Dividends paid		(11,160)	(8,367)
			(51,931)	(5,646)
	Net change in cash		17,591	(5,551)
	Cash — beginning of year		512	6,063
	Cash — end of year	16	$ 18,103	$ 512

See accompanying notes and supplementary cash flow information (note 16)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004

Astral Media Inc. ("Astral" or the "Company") is incorporated under the Canada Business Corporations Act and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television broadcasting, radio broadcasting and outdoor advertising.

1. ACCOUNTING POLICIES

a) Basis of Presentation

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). They should be read in conjunction with the Management's Discussion and Analysis ("MD&A") contained in the Company's 2005 Annual Report. All amounts are expressed in Canadian dollars.

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2005.

b) Principles of Consolidation

The consolidated financial statements include the accounts of Astral Media Inc. and its wholly-owned subsidiaries as well as its proportionate share of assets, liabilities, revenues and expenses of joint ventures. All inter-segment transactions and balances are eliminated on consolidation for subsidiaries and on a pro rata basis for joint ventures.

Significant subsidiaries and joint ventures are as follows as at August 31:

	Percentage Owned	
	2005	2004
Subsidiaries:		
Astral Broadcasting Group Inc.	100	100
The Family Channel Inc.	100	100
Astral Media Radio Inc.	100	100
Astral Media Outdoor, L.P.	100	100
Joint Ventures (note 5):		
Viewer's Choice Canada Inc.	50.1	50.1
Historia & Séries+, S.E.N.C.	50	50
MusiquePlus Inc.	50	50
TELETOON Canada Inc.	40	40
Canal Indigo, S.E.N.C.	20.04	20.04

1. ACCOUNTING POLICIES (CONT'D)

c) Asset Retirement Obligations

Effective September 1, 2004, the Company adopted, on a retroactive basis, the Canadian Institute of Chartered Accountants' ("CICA") recommendations on *Asset Retirement Obligations*. These recommendations establish standards for the recognition, measurement and disclosure of asset retirement obligations and the related expenses associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of said assets. In addition, under these recommendations, the asset retirement cost is capitalized as part of the carrying amount of the related property, plant and equipment, and subsequently is allocated to expense using a systematic and rational method while the liability is accreted to its total amount.

Under its outdoor advertising site leases, the Company is generally committed to returning each site to its original state. For the purpose of calculating a provision for asset retirement obligations, the Company used the following significant assumptions: the Company will exercise all renewal options that are at the Company's discretion in the related lease contracts; the total estimated amount of asset retirement obligations over the next 30 years is $3.0 million, based on the historical average cost of returning the sites to their original state; the risk-free credit interest rate is 3.75%.

As a result of the adoption by the Company of these recommendations, opening retained earnings as at September 1, 2004 have been reduced by $1.4 million. Furthermore, the carrying values of property, plant and equipment and of other non-current liabilities have increased by $0.5 million and $2.6 million respectively, while the future income tax liability has decreased by $0.7 million, as of the same date. For the year ended August 31, 2005, the asset retirement obligation cost is $123,000 and the accretion expense is $98,000, and they are respectively included in depreciation and operating expenses in the consolidated statements of earnings and retained earnings. Given the insignificance of the additional depreciation and accretion expenses for the year ended August 31, 2004, the consolidated statements of earnings and retained earnings and cash flows for that year have not been restated.

d) Consolidation of Variable Interest Entities

On December 1, 2004, the Company adopted the CICA's recommendations on *Consolidation of Variable Interest Entities* ("VIEs"). These recommendations provide a new framework for identifying VIEs and determining when a company should include the assets, liabilities and results of operations of VIEs in its consolidated financial statements. Management has concluded that the Company did not have any VIEs for the year ended August 31, 2005.

e) Revenue Recognition

The Company earns revenue from several sources. Revenue recognition policies are as follows:

I. Monthly fees in connection with specialty and pay television subscriptions are recorded as revenue on a pro rata basis over the month;
II. Advertising revenue is recorded in the months that advertising airs on the Company's radio and television stations or appears on the Company's advertising panels; and
III. Revenue from pay-per-view television sales and other transactional sales is recorded as the services or products are provided.

f) Cash

For the purpose of the consolidated statements of cash flows, cash is defined as cash and short-term deposits with original maturity terms of less than 90 days. Short-term deposits are carried at cost, which approximates market value.

g) Short-term Investments

Short-term investments include investments with original maturity terms of 90 days or more. Short-term investments are carried at the lower of cost and market value. All short-term investments are denominated in Canadian dollars.

h) Program and Film Rights

Program and film rights are purchased on a fixed or variable cost basis. The asset and liability for fixed cost purchases are recognized at the time the purchase is committed. The asset is classified as either a current or non-current asset based on the availability period. The related liability is classified as either current or non-current based on contract payment terms. The cost of fixed program and film rights is expensed over the lesser of the availability period and a maximum period that varies depending upon the type of program, generally not exceeding 24 months. Program rights acquired on a variable cost basis are not capitalized and their cost is determined and expensed over their contracted exhibition period, on the basis of the average number of subscribers to the network exhibiting the program.

Investments in programs and films to be produced by a third party are recorded as the Company's obligations are incurred and are carried at the

lower of cost and the value of estimated future cash flows. Any impairment charges are reported as operating expenses.

i) Other Non-current Assets

Other non-current assets include deferred charges relating to the operation of certain outdoor advertising sites and to network licence applications, development and pre-operating costs as well as other project development costs. These costs are amortized on a straight-line basis over the initial term of the site leases, of the licences or over a period deemed reasonable with regards to specific projects, which varies generally between five and eleven years. Other non-current assets also include other items such as employee future benefits.

j) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful life which is as follows:

Outdoor advertising panels	20 years
Equipment, furniture and fixtures	3 to 10 years
Computer hardware and software	3 to 6 years

Leasehold improvements are depreciated over the term of the related leases.

k) Impairment of Long-lived Assets

Effective September 1, 2003, the Company adopted, on a prospective basis, the CICA's recommendations on *Impairment of Long-lived Assets*. These recommendations establish standards for the recognition, measurement and disclosure of the impairment of long-lived assets other than identifiable intangible assets with an indefinite life (note 1.l)) and stipulate that an impairment loss should be recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as any excess of the carrying value of an asset over its fair value and results in a write-down of the carrying value of the long-lived assets and a charge to operating expenses in the year it occurs. Management reviews long-lived assets regularly as well as whenever there have been events or changes in circumstances that indicate that their carrying value may not be recoverable. The adoption of the new recommendations had no impact on the Company's financial position and results of operations for the years ended August 31, 2005 and 2004.

l) Broadcast Licences and Goodwill

The cost of acquiring businesses is allocated to the fair value of the related net identifiable tangible and intangible assets acquired. Identifiable intangible assets acquired consist primarily of the Company's broadcast licences. The excess of the cost of the acquired businesses over the fair value of the related net identifiable tangible and intangible assets acquired is allocated to goodwill. The Company's goodwill is only related to the outdoor advertising business.

Broadcast licences and goodwill are not amortized but are tested for impairment annually or more frequently if events or circumstances indicate that they might be impaired. If the carrying value of a reporting unit, including its related broadcast licences and goodwill, exceeds its fair value, the impairment is measured as the excess of the carrying amount of the reporting unit's broadcast licences and goodwill over the implied fair value of the broadcast licences and goodwill, based on the fair value of the assets and liabilities of the reporting unit. For the years ended August 31, 2005 and 2004, the Company has concluded that no provision for impairment of broadcast licences or goodwill is required.

m) Income Taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined by reference to the temporary differences between the carrying values and the tax basis of assets and liabilities. The future income tax assets and liabilities are measured using the income tax rates and laws that are expected to apply when these differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that realization of such benefits is considered more likely than not. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period that includes the substantive enactment date.

n) Earnings per Share

Basic earnings per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are calculated, under the treasury stock method, using the weighted average number of shares that would have been outstanding had the relevant outstanding stock options been exercised at the beginning of the year, or their respective grant dates, if later.

1. ACCOUNTING POLICIES (CONT'D)

o) Employee Future Benefits

In March 2004, the CICA issued a revised version of the recommendations on *Employee Future Benefits* to require additional disclosure about the assets, obligations, cash flows and net periodic benefit cost of defined pension plans and other post-retirement benefit plans. These recommendations do not change the measurement or recognition of these plans. The new disclosures are effective for years ended after June 30, 2004, and have been adopted by the Company effective as of that date.

The Company has a voluntary defined benefit pension plan available to all its employees. For the purpose of calculating the expected return on plan assets, these assets are valued at their fair value. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The Company uses the corridor method to amortize actuarial gains or losses over the average remaining service life of active employees. Under the corridor method, amortization is recorded only if, at the beginning of the fiscal year, the accumulated net actuarial gains or losses exceed 10% of the greater of the accrued pension benefit obligation and the value of the pension plan assets.

In addition, the Company has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The cost of the SERP is expensed, on an actuarial basis, over the expected average remaining service life of the participating executives.

p) Stock-based Compensation

The Company has a stock option plan and a restricted share unit plan, which are described in note 13.c). The Company accounts for stock-based compensation using the fair value method of accounting for its stock option plan and at intrinsic value for its restricted share unit plan.

q) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

2. RESTATEMENT DUE TO FUTURE INCOME TAX ADJUSTMENT

The comparative financial statements for the year ended August 31, 2004, as previously filed, have been restated. The restatement consists of adjustments to the previously recorded amounts of purchased broadcast licences, the related future income tax liabilities and future income tax provision and has no impact on the cash flows of the Company for the current or prior years. These adjustments relate to the application, in Fiscal 2001 and subsequent years, of the transitional provisions of CICA Handbook Section 3465 "*Income Taxes*", the computation of future income tax liabilities on certain purchased broadcast licences, and the accounting for certain related temporary differences and changes in enacted future tax rates over which the Company has no control.

The impact of these adjustments on the consolidated balance sheet as at August 31, 2004 is to increase closing retained earnings by $10.0 million and increase the August 31, 2004 future income tax liability and broadcast licence balances by $22.5 million and $32.5 million respectively. Accordingly, identifiable assets from continuing operations have been increased by $17.0 million and $15.5 million as at August 31, 2004 for the Television and Radio segments respectively.

The future income tax provision for the year ended August 31, 2004 has been increased by $14.3 million, reducing previously reported net earnings from continuing operations and net earnings by the same amount and reducing both basic earnings per share from continuing operations and basic earnings per share by $0.25. Opening retained earnings for the year ended August 31, 2004 have been increased by $24.3 million.

3. RADIO ASSET EXCHANGE TRANSACTION

Following the closing of the transaction to acquire certain radio assets from Telemedia Corporation on October 28, 2002, the Company was required to offer to sell, as a network, its AM radio assets in the province of Québec (the "Québec AM assets") and was also required to dispose of its CFOM-FM station in Quebec City.

On May 29, 2005, the Company closed the transaction with Corus Entertainment Inc. ("Corus") in accordance with a previously announced radio asset exchange agreement, valued at $11.0 million of which $2.5 million was paid to Corus in cash. Following the closing of the transaction, the Company obtained five Corus-owned FM stations in the province of

Québec, which have been integrated in Astral Media Radio's existing networks, in exchange for its Québec AM assets and CFOM-FM. The assets obtained, results and cash flows from operations of these assets are consolidated effective as of that date.

A loss of $0.2 million ($0.1 million net of income tax recovery) was recorded in discontinued operations as a result of the disposition of the Québec AM assets and of CFOM-FM (see note 4).

The following table summarizes information relating to this transaction:

(in thousands)	
Assets obtained:	
Property, plant and equipment	$ 1,340
Broadcast licences (note 9)	13,644
	14,984
Other liabilities (including integration costs of $0.7 million)	(3,060)
Future income tax liability related to broadcast licences (note 9)	(924)
Net assets obtained	$ 11,000
Carrying value of assets exchanged:	
Cash	$ 2,500
Property, plant and equipment	2,267
Broadcast licences	6,481
	$ 11,248
Loss on exchange of assets	$ (248)

4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL

On May 18, 2004, the Company disposed of its investment in Artech Digital Entertainments Inc. for an initial consideration of $824,000 and a loss of $924,000 ($787,000 net of income tax recovery) was recorded in discontinued operations during Fiscal 2004 on the basis of the initial sale consideration. During the second and third quarter of Fiscal 2005, the Company received additional consideration totaling $315,000 and an equivalent gain ($275,000 net of income tax) was recorded in discontinued operations in the year ended August 31, 2005.

As described in note 3, the Company exchanged certain radio stations on May 29, 2005. Results and cash flows from the operation of these stations are included in discontinued operations until that date. As a result of the exchange, the Company's future income tax liabilities decreased by $1.5 million.

During the fourth quarter of Fiscal 2005, the Company recorded a tax benefit of $4.9 million related to a prior year's capital loss incurred with regards to a previously discontinued operation. Realization of such benefits is now considered more likely than not and therefore has been recognized.

Selected financial information for the businesses included in discontinued operations is reported below:

(in thousands except per-share data)	2005	2004
Revenues	$ 10,246	$ 18,426
Loss from operations	$ (4,683)	$ (3,322)
Gain (loss) on disposition of assets	67	(924)
Loss before income tax recovery	(4,616)	(4,246)
Income tax recovery	7,765	1,263
Net earnings (loss) from discontinued operations	$ 3,149	$ (2,983)
Earnings (loss) per share from discontinued operations (note 13.g)		
- basic	$ 0.06	$ (0.06)
- diluted	$ 0.06	$ (0.06)

The major classes of assets and liabilities held for disposal are as follows:

(in thousands)	2005	2004
Non-current assets held for disposal:		
Property, plant and equipment and other non-current assets	$ —	$ 2,748
Broadcast licences	—	6,481
	—	9,229
Non-current liabilities held for disposal:		
Future income taxes	—	3,063
Net assets of discontinued operations	$ —	$ 6,166

5. JOINT VENTURES

The following is a summary of the Company's proportionate share of the financial position, results of operations and cash flows from continuing operating activities of the joint ventures included in the consolidated financial statements:

(in thousands of $)	2005	2004
Current assets	39,946	37,766
Non-current assets	18,530	15,001
Current liabilities	23,166	20,024
Non-current liabilities	9,396	14,146

(in thousands of $)	2005	2004
Revenues	66,036	61,198
Operating expenses	39,283	39,668
Depreciation and amortization	1,759	1,561
Interest income (expense), net	197	(34)
Net earnings from continuing operations	17,735	13,762
Cash provided by operating activities	17,183	9,915
Cash used for investing activities	(920)	(1,145)
Cash used for financing activities	(15,808)	(8,340)

6. SHORT-TERM INVESTMENTS

The following table summarizes information relating to short-term investments as at August 31, 2005 and 2004:

	Cost [illegible]	Original Maturity (days)	Weighted average effective interest rate
2005 – Commercial paper	$ 82,767	138 to 248	2.60%
2004 – Commercial paper	$ 73,387	120 to 176	2.20%

7. OTHER NON-CURRENT ASSETS

(in thousands)	2005	2004
Employee future benefits (note 18)	$ 7,212	$ 5,254
Deferred charges (net of accumulated amortization of $237 (2004 – $5,166))	1,471	884
Other non-current assets	635	1,158
	$ 9,318	$ 7,296

8. PROPERTY, PLANT AND EQUIPMENT

	2005		2004	
(in thousands)	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Outdoor advertising panels	$ 60,193	$ 19,591	$ 54,870	$ 14,729
Equipment, furniture and fixtures	50,126	32,559	44,626	30,044
Computer hardware and software	30,109	20,203	26,915	16,010
Leasehold improvements	17,269	11,342	16,059	9,559
Total	$157,697	$ 83,695	$142,470	$ 70,342
Net book value	$ 74,002		$ 72,128	

On October 1, 2004, Astral concluded an agreement to exchange Astral Media Outdoor's assets in Alberta and British Columbia for a number of structures in Toronto. The assets exchanged had a carrying value of $3.0 million. No gain or loss was recorded on this non-monetary transaction.

9. BROADCAST LICENCES

The changes in broadcast licences are summarized as follows:

(in thousands)	2005	2004 *(Restated – see note 2)*
Beginning of year, as previously reported	$838, 588	$838,588
Restatement due to future income tax adjustment (note 2)	32,506	32,506
Beginning of year, as restated	$871,094	$871,094
Broadcast licences obtained (note 3)	12,720	—
Future income tax liability related to broadcast licences obtained (note 3)	924	—
Reduction due to purchase price allocation adjustments	(1,434)	—
End of year	$883,304	$871,094

10. CREDIT FACILITIES

The Company has operating revolving credit facilities of $29.2 million, renewable annually and of which $501,000 are collateralized by certain joint-venture assets. Borrowings under these facilities bear interest at the banks' prime rate of 4.25% at August 31, 2005 (2004 – 3.75%) and borrowings were nil as at August 31, 2005 and 2004.

11. OTHER NON-CURRENT LIABILITIES

[illegible]	2005	2004
Amounts payable under licence conditions resulting from acquisitions	$ 7,603	$ 11,784
Program and film rights payable	12,674	8,449
SERP liability (note 18)	6,840	6,533
Asset retirement obligations (note 1.c))	2,697	—
Other non-current liabilities	1,077	3,069
	$ 30,891	$ 29,835

12. NON-CURRENT LIABILITIES OF DISCONTINUED OPERATIONS

Non-current liabilities of discontinued operations relate to operations that were discontinued in prior years. They include items such as rent payable, amounts payable under broadcast licence conditions as a result of licence acquisitions and other long-term payables which together amount to $4.6 million (2004 – $5.9 million).

13. CAPITAL STOCK

a) Authorized

An unlimited number of Class A non-voting shares ("Class A shares").

An unlimited number of Class B subordinate voting shares ("Class B shares"), entitled to one vote each and exchangeable for Class A shares on a one-for-one basis.

65,000, 5% non-cumulative Special shares ("Special shares"), entitled to ten votes each and convertible on the basis of two Class B shares for each Special share.

In order to ensure compliance with Federal Government directions, the Broadcasting Act and regulations governing specialty, pay and pay-per-view television services and radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company and its affiliates, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company and its affiliates, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with those of any such licence.

b) Issued Capital Stock

	2005		2004	
([illegible] thousands except number of shares)	Number of shares outstanding	Carrying value of shares	Number of shares outstanding	Carrying value of shares
Class A shares:				
Beginning of year	52,736,841	$577,278	51,946,555	$565,777
Shares converted from Class B shares	11,900	12	25,000	24
Stock options exercised (note 13.c))	727,686	15,099	765,286	11,477
Shares repurchased (note 13.h))	(1,761,500)	(19,464)	—	—
End of year	51,714,927	572,925	52,736,841	577,278
Class B shares:				
Beginning of year	3,252,522	3,181	3,277,522	3,205
Shares converted to Class A shares	(11,900)	(12)	(25,000)	(24)
End of year	3,240,622	3,169	3,252,522	3,181
Special shares	65,000	325	65,000	325
		$576,419		$580,784

13. CAPITAL STOCK (CONT'D)

c) Stock Option Plan and Restricted Share Unit Plan

Under the provisions of the Company's employee stock option plan, the Company may grant options to key employees to purchase a maximum of 5,244,445 Class A shares. The option exercise price is set at the closing price for the Class A shares on the Toronto Stock Exchange on the last business day before the date on which the options are granted. Under the stock option plan, approximately 30% of the stock options vest progressively over 4 or 5 years from the date of granting and approximately 70% vest on the basis of the level of achievement of certain financial performance targets measured over a period of three fiscal years beginning with the fiscal year of their grant. Options have a term of 5 or 10 years.

Under the Company's restricted share unit plan, restricted share units ("RSUs") can be granted to the Company's senior executives as part of their long-term compensation. RSUs are granted to senior executives without any monetary consideration being payable to the Company and their vesting is entirely based on the level of achievement of certain financial performance targets measured over a period of three fiscal years beginning with the fiscal year of their grant. Upon vesting, each RSU is convertible into one fully paid Class A share issued from treasury, up to a maximum of 276,100 Class A shares, without any further consideration payable to the Company in respect thereof.

The status of the Company's employee stock option plan as at August 31, is summarized as follows:

	2005		2004	
	Number of options outstanding	Weighted average exercise price ($)	Number of options outstanding	Weighted average exercise price ($)
Beginning of year	3,964,440	22.38	4,503,145	20.75
Granted	314,056	30.65	310,886	27.90
Exercised	(727,686)	20.76	(765,286)	15.00
Cancelled/expired	(221,096)	24.37	(84,305)	22.63
End of year	3,329,714	23.38	3,964,440	22.38
Exercisable — end of year	1,746,556	20.95	1,528,328	19.49

The following table summarizes information relating to the outstanding stock options:

Range of exercise prices ($)	Number of options outstanding at August 31, 2005	Weighted average remaining life (years)	Weighted average exercise price ($)	Number of options exercisable at August 31, 2005	Weighted average exercise price ($)
7.04 — 10.55	119,102	2.28	8.36	119,102	8.36
10.56 — 15.75	133,822	4.12	12.40	133,822	12.40
15.76 — 20.08	27,413	5.53	17.94	27,413	17.94
20.09 — 24.53	1,589,776	5.97	22.72	1,333,340	22.58
24.54 — 27.91	1,158,045	6.49	25.34	132,879	25.06
27.92 — 30.65	301,556	4.28	30.65	—	—
7.04 — 30.65	3,329,714	5.79	23.38	1,746,556	20.95

The status of the Company's restricted share unit plan as at August 31, is summarized as follows:

Number of units outstanding:	2005	2004
Beginning of year	110,398	—
Granted	109,202	110,398
Cancelled/expired	(14,381)	—
End of year	205,219	110,398

d) Stock-based Compensation

During the second quarter of Fiscal 2005, the Company granted to key employees 314,056 options to purchase Class A shares of the Company (310,886 options to purchase class A shares were granted in Fiscal 2004). The fair value of each option granted was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	Fiscal 2005 Grant	Fiscal 2004 Grant
Assumptions:		
Risk-free interest rate	2.78%	3.28%
Expected life	5 years	5 years
Expected volatility in the market price of the shares	27.10%	30.00%
Expected dividend yield	0.65%	0.54%
Fair value per option:	$8.28	$8.52

Also, during the second quarter of Fiscal 2005, the Company granted 109,202 RSUs to key employees (110,398 RSUs were granted in Fiscal 2004). The weighted average fair value of the RSUs granted is $30.65 per unit ($27.90 per unit in Fiscal 2004) which is equal to the market price of a Class A share of the Company at the time of the grant.

The compensation cost related to stock options and RSUs granted to employees on or after September 1, 2003 is recorded in the consolidated statements of earnings over their expected vesting period for stock options and over the three-year vesting period for RSUs. For the year ended August 31, 2005, the stock-based compensation cost amounted to $2.6 million ($0.8 million for the year ended August 31, 2004) and is recorded in operating expenses in the Company's consolidated statements of earnings and retained earnings and credited to contributed surplus on the Company's consolidated balance sheets.

e) Pro Forma Consolidated Results

Between September 1, 2002 and August 31, 2003, the Company granted to key employees 1,006,840 options to purchase Class A shares of the Company and these options granted were accounted for as capital transactions. If the grant of these stock options had been accounted for using the fair value method, consolidated results of operations, on a pro forma basis for the years ended August 31, 2005 and 2004 would have been as follows using the Black-Scholes option pricing model and the following weighted average assumptions:

	Fiscal 2003 Grant
Assumptions:	
Risk-free interest rate	4.75%
Expected life	5 years
Expected volatility in the market price of the shares	32.20%
Expected dividend yield	0.61%
Fair value per option:	$8.48

(in thousands)	2005	2004 (Restated – see note 2)
Net earnings from continuing operations, as reported	$104,446	$ 77,167
Adjustment for the grant of stock options	(1,707)	(1,707)
Pro forma net earnings from continuing operations	$102,739	$ 75,460
Net earnings, as reported	$107,595	$ 74,184
Adjustment for the grant of stock options	(1,707)	(1,707)
Pro forma net earnings	$105,888	$ 72,477

(in dollars)	2005 Basic	2005 Diluted	2004 Basic (Restated – see note 2)	2004 Diluted
Pro forma earnings per share from continuing operations	$1.84	$1.81	$1.36	$1.34
Pro forma earnings per share	$1.90	$1.87	$1.30	$1.28

f) Employee Share Purchase Plan

Effective March 15, 2004, the Company's employee share purchase plan provides employees with an opportunity to acquire Class A shares through salary deductions every two weeks, subject to a maximum of 10% of their annual salaries. The Company contributes an amount equal to 20% of the

13. CAPITAL STOCK (CONT'D)

employees' contributions towards the purchase of the shares. The Company's contribution is recorded in operating expenses. Shares are acquired on the open market and the price paid for the shares is determined at the end of each month, based on the average price of all shares purchased by the plan's custodian during the month.

g) Earnings per Share

The following is a reconciliation of the numerator and denominators used for the computation of basic and diluted earnings per share from continuing operations:

(in thousands)	2005	2004 *(Restated – see note 2)*
Net earnings from continuing operations (numerator)	$104,446	$ 77,167
Weighted average number of shares outstanding (denominators):		
Weighted average number of shares outstanding — basic	55,864	55,638
Effect of dilutive securities	891	817
Weighted average number of shares outstanding — diluted	56,755	56,455

h) Normal Course Issuer Bid

On December 8, 2004, the Company announced a normal course issuer bid through the facilities of the Toronto Stock Exchange to repurchase up to 5% of its Class A and Class B shares. The Company intends to repurchase for cancellation a maximum of 2,647,539 Class A shares and 162,031 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2004 for their respective class of shares. The share repurchase program will be conducted over a maximum period of 12 months that began on December 13, 2004.

During the year ended August 31, 2005, the Company repurchased and cancelled 1,761,500 Class A shares for a total cash consideration of $55.9 million, and this cash consideration exceeded the carrying value of the shares repurchased by $36.4 million at the time of repurchase which amount was recorded in retained earnings.

14. INTEREST

(in thousands)	2005	2004
Interest income	$ (2,779)	$ (748)
Interest expense on long-term debt	—	141
Other interest and financial expenses	507	442
	$ (2,272)	$ (165)

15. INCOME TAXES

Total income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings from continuing operations before income taxes for the following reasons:

(in thousands except income tax rates)	2005	2004 *(Restated – see note 2)*
Statutory income tax rate	33.5%	33.8%
Provision based on statutory rate applied to earnings from continuing operations	$ 53,317	$ 46,866
Non-deductible stock-based compensation expense	825	259
Impact on future income taxes of changes in enacted future tax rates and certain temporary differences (note 2)	—	14,346
Other items	568	20
	$ 54,710	$ 61,491

Major components of the income tax provision are as follows:

(in thousands)	2005	2004 *(Restated – see note 2)*
Current tax expense	$ 46,655	$ 45,394
Future income tax expense relating to origination and reversal of temporary differences	8,055	1,751
Impact on future income taxes of changes in enacted future tax rates and certain temporary differences (note 2)	—	14,346
Income tax provision	$ 54,710	$ 61,491

Significant future income tax assets and liabilities arising from the effect of temporary differences are as follows:

(in thousands)	2005	2004 (Restated – see note 2)
Future income tax assets:		
SERP and other reserves	$ 4,631	$ 5,292
Non-capital loss carry forwards	—	3,122
Total future income tax assets	4,631	8,414
Future income tax liabilities:		
Property, plant and equipment and deferred charges	4,296	6,499
Broadcast licences	242,333	236,633
Other	3,682	3,478
Total future income tax liabilities	250,311	246,610
Net future income tax liability	$ 245,680	$ 238,196

The net future income tax liability is included under the following captions on the consolidated balance sheets:

(in thousands)	2005	2004 (Restated – see note 2)
Current portion of future income tax assets	$ —	$ 4,104
Non-current future income tax assets	12,169	9,930
Non-current future income tax liabilities	(257,849)	(252,230)
Net future income tax liability	$(245,680)	$(238,196)

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

a) Net Change in Non-cash Operating Items

(in thousands)	2005	2004
Increase in accounts receivable and other assets	$ (15,350)	$ (458)
Increase in program and film rights	(14,727)	(13,256)
Decrease in accounts payable and accrued liabilities	(3,888)	(9,514)
Increase in program and film rights payable	2,721	3,728
	$ (31,244)	$ (19,500)

b) Cash

Major components of cash reported on the consolidated statements of cash flows are as follows:

(in thousands)	2005	2004
Cash	$ 24,358	$ 3,614
Short-term deposits	5,059	8,222
Outstanding cheques	(11,314)	(11,324)
Cash	$ 18,103	$ 512

c) Interest Paid, Received and Taxes Paid

(in thousands of $)	2005	2004
Interest paid	(507)	(583)
Interest received	2,779	748
Income taxes paid	(49,178)	(44,057)

d) Non-cash Transactions

The consolidated statement of cash flows for the year ended August 31, 2005 excludes the non-cash portion of the consideration for radio assets obtained and exchanged for a total value of $11.0 million (note 3) as well as the assets exchanged by Astral Media Outdoor valued at $3.0 million (note 8).

17. COMMITMENTS

The minimum amounts payable under long-term operating lease contracts, including the Company's proportionate share of amounts payable by joint ventures, are as follows:

(in thousands)	
2006	$ 27,453
2007	25,799
2008	22,701
2009	17,929
2010	14,822
2011 and thereafter	43,084
	$151,788

18. EMPLOYEE FUTURE BENEFITS

The Company has a voluntary defined benefit pension plan (the "Plan") for all of its employees. The Plan provides pension benefits based on length of service and final average earnings of each member. The Company does not provide any non-pension post-retirement benefits. The Company measures the accrued benefit obligations and the fair value of the Plan's assets for accounting purposes as at June 30 of each year. The most recent actuarial valuation of the Plan for funding purposes was performed as at December 31, 2002 and the next required valuation will be performed as at December 31, 2005.

In addition, the Company has a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. The SERP is not funded, except in the case of a change of control of the Company, and benefits are paid as required.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and benefit costs are as follows (weighted-average assumptions as at June 30):

	2005		2004	
	Plan	SERP	Plan	SERP
Accrued benefit obligations:				
Discount rate	5.75%	5.75%	6.50%	6.50%
Rate of salary escalation	4.25%	4.25%	4.00%	4.00%
Benefit plan costs:				
Discount rate	6.50%	6.50%	7.00%	7.00%
Expected long-term rate of return on plan assets	7.00%	—	7.25%	—
Rate of salary escalation	4.00%	4.00%	4.00%	4.00%

Information about the Company's retirement plans is as follows:

(in thousands)	2005		2004	
	Plan	SERP	Plan	SERP
Benefit obligations:				
Benefit obligations — beginning of year	$ 19,645	$ 7,788	$ 14,146	$ 6,424
Current service cost, net of employee contributions	2,504	103	1,868	269
Interest cost	1,073	504	818	459
Benefits paid	(1,641)	(341)	(956)	(331)
Actuarial loss on accrued benefit obligations	6,853	1,255	1,910	967
Employee contributions	1,766	—	1,859	—
Benefit obligations — end of year	$ 30,200	$ 9,309	$ 19,645	$ 7,788
Plan assets:				
Fair value of plan assets — beginning of year	$ 20,244	$ —	$ 15,108	$ —
Actual return on plan assets	1,870	—	1,936	—
Employer contributions	4,474	341	2,297	331
Employee contributions	1,766	—	1,859	—
Benefits paid	(1,641)	(341)	(956)	(331)
Fair value of plan assets — end of year	$ 26,713	$ —	$ 20,244	$ —

Elements included in the benefit plan expense recognized in the year are as follows:

(in thousands)	2005 Plan	2005 SERP	2004 Plan	2004 SERP
Current service cost, net of employee contributions	$ 2,504	$ 103	$ 1,868	$ 269
Interest cost	1,073	504	818	459
Actual return on plan assets	(1,870)	—	(1,936)	—
Actuarial loss on accrued benefit obligations	6,853	1,255	1,910	967
Adjustments to recognize the long-term nature of employee future benefit costs:				
Difference between expected return and actual return on plan assets for the year	693	—	1,030	—
Difference between actuarial loss recognized for the year and actual actuarial gain on accrued benefit obligation for the year	(6,736)	(1,213)	(1,842)	(968)
Net benefit plan expense	$ 2,517	$ 649	$ 1,848	$ 727

Plan assets, measured as at June 30, consist of:

	2005 Plan	2005 SERP	2004 Plan	2004 SERP
Equity securities	60.1%	—	57.8%	—
Debt securities	34.2%	—	38.0%	—
Other	5.7%	—	4.2%	—
	100.0%	—	100.0%	—

The status of the Company's retirement plans as at August 31 is as follows:

(in thousands)	2005 Plan	2005 SERP	2004 Plan	2004 SERP
Benefit obligations	$(30,200)	$ (9,309)	$(19,645)	$ (7,788)
Fair value of plan assets	26,713	—	20,244	—
Funded status — plan surplus (deficit)	(3,487)	(9,309)	599	(7,788)
Unamortized net actuarial loss	10,699	2,072	4,655	858
Accrued benefit asset (liability)	$ 7,212	$ (7,237)	$ 5,254	$ (6,930)

The accrued benefit asset (liability) is included under the following captions on the consolidated balance sheets:

(in thousands)	2005 Plan	2005 SERP	2004 Plan	2004 SERP
Other non-current assets (note 7)	$ 7,212	$ —	$ 5,254	$ —
Accounts payable and accrued liabilities	—	(397)	—	(397)
Other non-current liabilities (note 11)	—	(6,840)	—	(6,533)
	$ 7,212	$ (7,237)	$ 5,254	$ (6,930)

19. BUSINESS SEGMENTS

The Company's business segments are Television, Radio and Outdoor Advertising. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Its revenues are derived from subscription fees, pay-per-view sales and advertising sales. The Radio segment comprises the Company's FM and AM radio stations (excluding those held for disposal) and revenues are derived from advertising aired on these stations. The Outdoor Advertising segment comprises activities related to posting advertising on the Company's inventory of outdoor panels and its revenues are derived from the sale of such advertising. All activities are conducted in Canada.

(in thousands of $)	August 31, 2005 Television	Radio	Outdoor Advertising	Consolidated
Revenues from continuing operations	397,097	110,361	42,152	549,610
Earnings from continuing operations before undernoted items	139,253	36,724	12,990	188,967
Interest income (expense), net	396	(142)	—	254
Depreciation and amortization	(6,776)	(4,166)	(3,847)	(14,789)
Earnings from continuing operations before unallocated items	132,873	32,416	9,143	174,432
Interest income, net				2,018
Corporate costs (including depreciation of $943)				(17,294)
Income tax provision				(54,710)
Net earnings from continuing operations				104,446
Identifiable assets of continuing operations at year end (excluding Corporate assets of $109,721)	652,690	468,388	61,336	1,182,414
Additions to property, plant and equipment (excluding Corporate additions of $925)	4,977	5,726	4,240	14,943
Addition to broadcast licences	—	13,644	—	13,644

(in thousands of $)	August 31, 2004 (Restated – see note 2) Television	Radio	Outdoor Advertising	Consolidated
Revenues from continuing operations	377,420	102,784	38,533	518,737
Earnings from continuing operations before undernoted items	124,104	35,321	10,141	169,566
Interest income (expense), net	264	(44)	—	220
Depreciation and amortization	(7,952)	(3,818)	(3,410)	(15,180)
Earnings from continuing operations before unallocated items	116,416	31,459	6,731	154,606
Interest expense, net				(55)
Corporate costs (including depreciation of $863)				(15,893)
Income tax provision				(61,491)
Net earnings from continuing operations				77,167
Identifiable assets of continuing operations at year end (excluding Corporate assets of $89,979)	626,244	452,836	54,990	1,134,070
Additions to property, plant and equipment (excluding Corporate additions of $3,186)	4,387	3,901	2,805	11,093
Addition to broadcast licences	—	—	—	—

20. CONTINGENT LIABILITIES

The Company and its joint ventures are involved in various legal actions which are normal to the Company's and its joint ventures' businesses. In the opinion of the Company, potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's and its joint ventures' financial position or their results of operations.

21. GUARANTEES

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, include indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. At August 31, 2005, management does not believe that these indemnification provisions would require any material cash payment by the Company.

The Company indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers as well as those of its subsidiaries.

22. FINANCIAL INSTRUMENTS

a) Fair Values

The estimated fair values of financial instruments as at August 31, 2005 and 2004 are based on the relevant market prices and information available at this time. The fair value estimates may not be indicative of the amounts that the Company might receive or pay in actual market transactions.

Current financial assets and liabilities

The carrying amounts of current financial assets and liabilities are reasonable estimates of their fair values due to the current nature of these instruments. Current financial assets consist of cash, short-term deposits, short-term investments and accounts receivable, while current financial liabilities consist of accounts payable, income taxes payable and program and film rights payable.

Non-current financial liabilities

The carrying amounts of long-term program and film rights payable approximate their fair values.

b) Concentration of Credit Risk

The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses.

As at August 31, 2005, three customers of the Television segment accounted for 38% (2004 – three customers for 39%) of consolidated revenues from continuing operations.

SHAREHOLDERS' INFORMATION

	Class A shares (non-voting)	Class B shares (one vote each)
Listing	TSX	TSX
Symbol	ACM.NV.A	ACM.SV.B
Recent price [1]	$33.99	$34.50
High/Low last 12 months	$35.09/$26.80	$35.25/$27.01
Shares outstanding [2]	51,714,927	3,240,622
Price/Earnings ratio	18.2 x	18.4 x
Price/Cash flow ratio	14.3 x	14.5 x
Price/Book value ratio	2.0 x	2.1 x
Book value per share	$16.78	$16.78
Dividends per share last 12 months [3]	$0.20	$0.20

[1] *As at October 5, 2005.*
[2] *As at August 31, 2005. Does not include 65,000 special shares entitled to 10 votes each.*
[3] *The semi-annual dividend rate has been $0.10 per share since December 8, 2004.*

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The Movie Network
Fax: (416) 956-2018

Mpix
Fax: (416) 956-2018

Super Écran
Fax: (514) 939-5098

Viewer's Choice Canada
Fax: (416) 956-2055

Canal Indigo
Fax: (514) 939-5098

Family
Fax: (416) 956-2035

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LES CHAÎNES TÉLÉ ASTRAL

Canal D

Canal Vie

VRAK.TV

Ztélé

Historia

Séries+

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Énergie
Tel.: (514) 529-3229
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RADIO RockDétente
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Fax: (514) 288-1073

Boom fm
Tel.: (450) 774-6486
Fax: (450) 774-7785

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Tel.: (416) 924-6664
Fax: (416) 924-9031

Annual and Special Meeting
of Shareholders
December 7, 2005
2:30 p.m.
Canadian Centre for Architecture (CCA)
1920, rue Baile
Montréal (Québec)

Ce rapport annuel est également
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CORPORATE INFORMATION

Auditors
Ernst & Young LLP

Banks
RBC Royal Bank
National Bank of Canada

Transfer Agent & Registrar
Computershare Trust Company
of Canada

Visit us at
www.astralmedia.com

DESIGN AND PRODUCTION: GRAPHÈME BRANDING & DESIGN
PHOTOS (COVER, BACK COVER AND MANAGEMENT): JEAN VACHON

OUR TELEVISION NETWORKS

PAY TELEVISION

- The Movie Network
  www.themovienetwork.ca
- Super Écran
  www.superecran.com
- Mpix
  www.mpix.ca
- Viewer's Choice (50.1%)
  www.viewerschoice.ca
- Canal Indigo (20.04%)
  www.canalindigo.com

SPECIALTY TELEVISION

- Family
  www.family.ca
- Canal Vie
  www.canalvie.com
- Canal D
  www.canald.com
- VRAK.TV
  www.vrak.tv
- Ztélé
  www.ztele.com
- Historia (50%)
  www.historiatv.ca
- Séries+ (50%)
  www.seriesplus.com
- MusiquePlus (50%)
  www.musiqueplus.com
- MusiMax (50%)
  www.musimax.com
- TELETOON (40%)
  www.teletoon.com

The Movie Network

[illegible]

Super Écran

[illegible]

Mpix

[illegible]

Viewer's Choice

[illegible]

Canal Indigo

[illegible]

Family

[illegible]

Canal Vie

[illegible]

Canal D

[illegible]

VRAK TV

VRAK TV, targeting viewers aged 2 to 14, [illegible] VRAK [illegible] from cartoons, [illegible] and [illegible] drama series. VRAK TV [illegible] broadcasting success story!

Ztélé

[illegible]

Historia

The only French-language specialty channel devoted entirely to Canadian and world history, Historia takes its viewers on a fascinating journey through time. With [illegible] made-in-Quebec productions, historical [illegible], documentaries and dramas, Historia immerses viewers in the past in a decidedly contemporary way. Astral Media owns 50% of Historia and is its managing partner.

Séries+

Dedicated exclusively to drama programs, Séries+ offers the best programming from Quebec and around the world. In [illegible] 2005, Séries+ recorded the highest average weekly viewership among women aged [illegible] to 54 in Quebec. Astral Media owns 50% of the channel and is its managing partner. [illegible]

MusiquePlus

Located in the heart of downtown Montreal, MusiquePlus boasts a lively and [illegible] environment and offers a vantage point on life in the city. It is THE authority on pop [illegible] culture. Since 1986, MusiquePlus has captivated its viewers with hip, innovative programming featuring both local and international artists. Astral Media owns 50% of MusiquePlus.

MusiMax

With its exclusive programs, musicographies, concerts, behind-the-scenes sneak peeks and reality series, MusiMax airs high-quality programming that features vibrant music from Quebec and around the world. In addition to music and videos, MusiMax treats its viewers to compelling and thoroughly entertaining arts programming. Astral Media owns 50% of MusiMax.

TELETOON

TELETOON is Canada's first and only 24-hour animation station dedicated to audiences of all ages. With English- and French-language services, the network offers viewers classic cartoons and new animation from Canada and around the world. TELETOON is currently available in over 6.4 million Canadian homes. Astral Media owns 40% of TELETOON.

Astral Media TVPlus
www.astralmediatvplus.com

Astral Media Mix

Astral Media
The Harold Greenberg Fund/
Le Fonds Harold Greenberg

Astral Media TVPlus

Astral Media TVPlus is an advertising rep house that focuses exclusively on advertising sales for specialty channels in the French- and English-language markets. It represents Astral Media's networks as well as a number of English-language specialty channels belonging to Alliance Atlantis and Corus.

Astral Media Mix

Astral Media Mix's mission is to create, develop and produce business projects that draw on the synergies among Astral Media's various media properties. Astral Media's complementary specialty television, radio and outdoor media platforms offer advertisers an efficient and effective way of reaching all of their target audiences with a streamlined media campaign.

Astral Media The Harold Greenberg Fund/Le Fonds Harold Greenberg

The Fund/Le Fonds is a national funding organization established to contribute to the development and production of new, high-calibre Canadian film and television productions while encouraging the emergence of new talent.

OUR RADIO NETWORKS

Énergie

Énergie (10 FM stations) reaches an audience of nearly 1.6 million. It targets young listeners with a lively mix of music, comedy and promotions, offering programming that reflects its listeners' concerns and lifestyle, with its consistent quality, creativity, innovation and distinctive sound, all driven by its powerful energy. Pump up the volume!

RADIO RockDétente

RockDétente (seven FM stations) makes an emotional connection with 1.4 million listeners. It has quickly become the musical benchmark for its adult contemporary audience, and its signature theme contributes to its outstanding popularity. Its musical programming, resolutely in step with the tastes of adult Québec listeners, will continue to be its cornerstone. The best musical variety in Québec.

Boom fm

Boom fm (four FM stations) targets baby boomers with unique music programming drawn from the hits of the 1960s and 1970s, from the Beatles and Motown to the French-language hit parade of the era. Boom fm is a network in its own right, with stations in Drummondville, St-Hyacinthe, St-Jean-sur-Richelieu and Amqui. Since it was launched, it has doubled its audience size and listening hours. You know the words...

Astral Media Radio Atlantic

The stations of Astral Media Radio Atlantic broadcast to tens of thousands of listeners every week, with eight stations in five different markets: Fredericton, Bathurst, Woodstock and Grand Falls, New Brunswick, and Truro, Nova Scotia. The key to its success is its focus on the community, with three music formats: rock, country and adult pop.

Télé-Annonces

Télé-Annonces is the only channel in Québec that airs illustrated classified ads on cable, Illico and the Internet, 24 hours a day. It presents some 6,000 ads, updated daily, selling real estate, vehicles, furniture and appliances. Its province-wide network broadcasts from Hull to Gaspé, reaching more than 1.55 million cable households. Télé-Annonces: the creative alternative for the advertising industry.

QUÉBEC FM STATIONS

ÉNERGIE
www.radioenergie.com

- **énergie 92.1** Drummondville
- **énergie 94.3** Montréal
- **énergie 94.5** Saguenay/Lac-St-Jean
- **énergie 98.7** Rimouski
- **énergie 98.9** Québec
- **énergie 99.1** Rouyn-Noranda
- **énergie 102.3** Mauricie
- **énergie 102.7** Val-d'Or
- **énergie 104.1** Outaouais
- **énergie 106.1** Estrie

RADIO ROCKDÉTENTE
www.rockdetente.com

- **RockDétente 94.7** Mauricie
- **RockDétente 94.9** Outaouais
- **RockDétente 96.9** Saguenay/Lac-St-Jean
- **RockDétente 102.7** Estrie
- **RockDétente 102.9** Rimouski
- **RockDétente 107.3** Montréal
- **RockDétente 107.5** Québec

BOOM FM
www.boomfm.astral.com

- **Boom 99.9** Amqui
- **Boom 104.1** Saint-Jean-sur-Richelieu
- **Boom 105.3** Drummondville
- **Boom 106.5** St-Hyacinthe

ATLANTIC FM & AM STATIONS

FM

- **CIKX 93.5** Grand Falls, NB
- **CKTY 99.5** Truro, NS
- **CKTO 100.9** Truro, NS
- **CJCJ 104.1** Woodstock, NB
- **CKBC 104.9** Bathurst, NB
- **CFXY 105.3** Fredericton, NB
- **CIBX 106.9** Fredericton, NB

AM

- **CKHJ 1260** Fredericton, NB

TÉLÉ-ANNONCES
www.teleannonces.com

énergie 94.3
Montréal

énergie 94.5
Saguenay/Lac-St-Jean

énergie 98.7
Rimouski

énergie 98.9
Québec

énergie 99.1
Rouyn-Noranda

énergie 102.3
Mauricie

énergie 102.7
Val-d'Or

énergie 104.1
Outaouais

énergie 106.1
Estrie

RockDétente 94.9
Outaouais

RockDétente 96.9
Saguenay/Lac-St-Jean

RockDétente 102.7
Estrie

RockDétente 102.9
Rimouski

RockDétente 107.3
Montréal

RockDétente 107.5
Québec

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BOOM FM

www.boomfm.astral.com

Boom 99.9
Amqui

Boom 104.1
Saint-Jean-sur-Richelieu

Boom 105.3
Drummondville

Boom 106.5
St-Hyacinthe

ATLANTIC FM & AM STATIONS

FM

CIKX 93.5
Grand Falls, NB

CKTY 99.5
Truro, NS

CKTO 100.9
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CJCJ 104.1
Woodstock, NB

CKBC 104.9
Bathurst, NB

CFXY 105.3
Fredericton, NB

CIBX 106.9
Fredericton, NB

AM

CKHJ 1260
Fredericton, NB

TÉLÉ-ANNONCES

www.teleannonces.com

OUR OUTDOOR ADVERTISING NETWORK

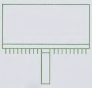
QUÉBEC

ONTARIO

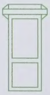
www.astralmediaoutdoor.com

Astral Media Outdoor

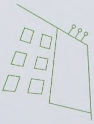
Thanks to a network of over 3,700 advertising faces in the largest cities in Québec and Ontario, the Astral Media Outdoor network is strategically positioned to offer advertisers choice locations that reach the largest average audience per advertising face in the industry.



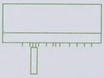
ZONTAL 10' H x 20' W



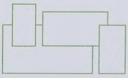
COLUMN Various formats



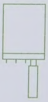
MURAL Various formats



MAX 14' H x 48' W

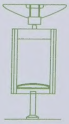


AIRPORT Various formats



CLASSIC 16' H x 12' W

MEGACOLUMN (Montréal)
11' H x 4' W



COLUMN (Toronto)
53" H x 36" W – Column
11' H x 4' W – MegaColumn

Astral Media TVPlus
www.astralmediatvplus.com

Astral Media Mix

Astral Media
The Harold Greenberg Fund/
Le Fonds Harold Greenberg

Astral Media TVPlus

Astral Media TVPlus is an advertising rep house that focuses exclusively on advertising sales for specialty channels in the French- and English-language markets. It represents Astral Media's networks as well as a number of English-language specialty channels belonging to Alliance Atlantis and Corus.

Astral Media Mix

Astral Media Mix's mission is to create, develop and produce business projects that draw on the synergies among Astral Media's various media properties. Astral Media's complementary specialty television, radio and outdoor media platforms offer advertisers an efficient and effective way of reaching all of their target audiences with a streamlined media campaign.

Astral Media The Harold Greenberg Fund/Le Fonds Harold Greenberg

The Fund/Le Fonds is a national funding organization established to contribute to the development and production of new, high-calibre Canadian film and television productions

COUNT ON ASTRAL MEDIA'S NETWORKS TO DELIVER THE LATEST IN TELEVISION, RADIO AND OUTDOOR ADVERTISING.

PROFILE

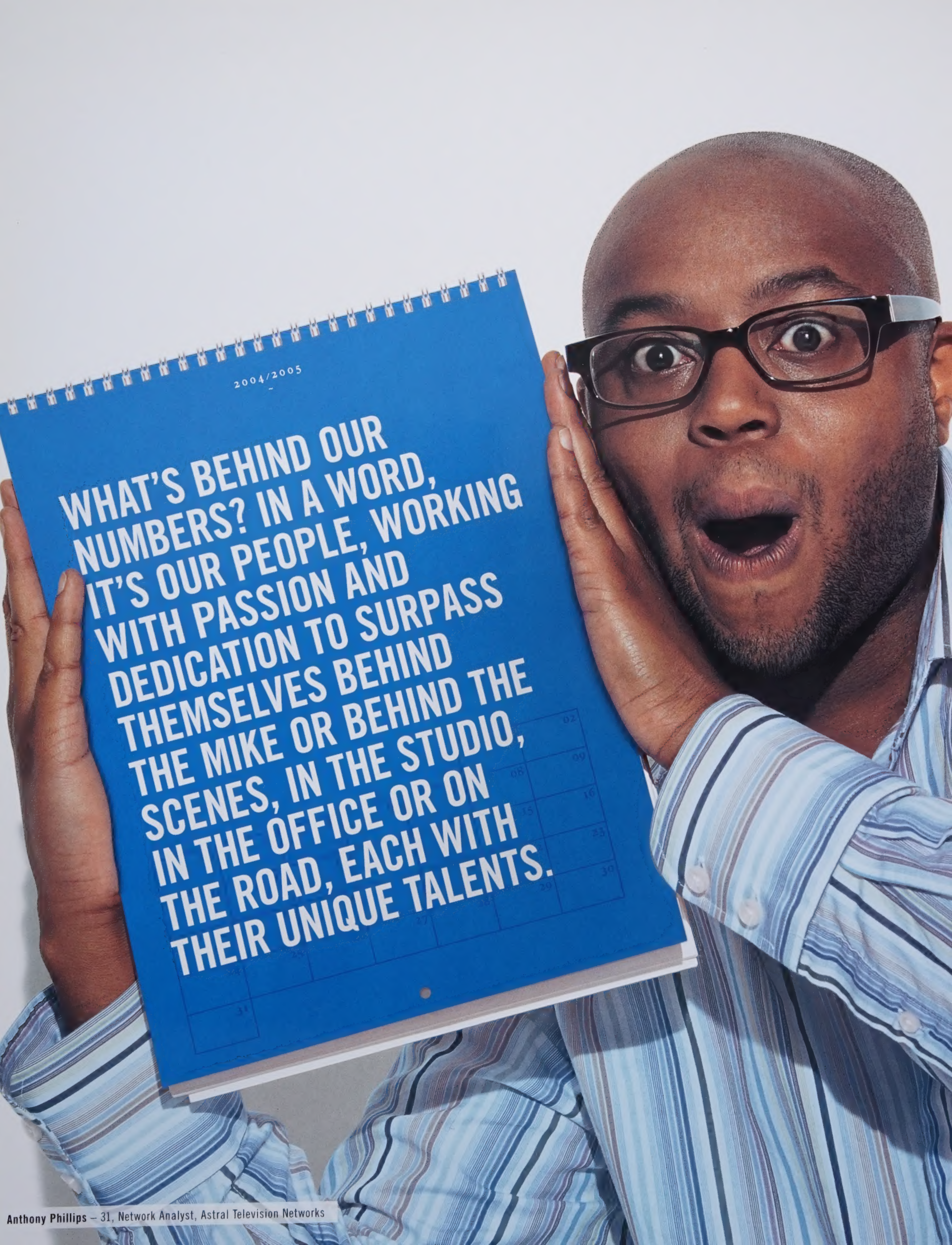
Astral Media is a leading Canadian media company, reaching people through a combination of highly targeted media properties in television, radio and outdoor advertising.

The Company is the country's largest broadcaster of English- and French-language pay and specialty television services and is currently involved, on its own or with partners, in 17 network licences. Astral Media and its television networks also play a vital role as the largest private sector investor in Canadian feature films.

Astral Media owns 29 radio stations. Its 21 French-language FM stations in Québec comprise three highly complementary networks: Énergie, RockDétente and Boom fm. The Company also owns 7 FM and 1 AM English-language stations in the Atlantic provinces.

Astral Media Outdoor is one of Canada's most dynamic and innovative outdoor advertising companies with over 3,700 faces located in the largest markets in Québec and Ontario.

Astral Media employs more than 1,700 people at its facilities in Montréal, Toronto, and a number of cities throughout Québec and the Atlantic provinces. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.NV.A/ACM.SV.B.



Anthony Phillips – 31, Network Analyst, Astral Television Networks